



**Doctors Medical Center  
Management Authority,  
JPA Board Meeting**

**Wednesday, November 24, 2009  
3:30 PM - Auditorium  
Doctors Medical Center  
2000 Vale Road  
San Pablo, CA**

# DOCTORS MEDICAL CENTER MANAGEMENT AUTHORITY

**Doctors Medical Center Management Authority,  
JPA Board**

**Tuesday, November 24, 2009 – 3:30 pm  
Doctors Medical Center - Auditorium  
2000 Vale Road, San Pablo, CA 94806**

*Governing Board*

*Supervisor John Gioia, Chair  
Sharon Drager, M.D.*

*Pat Godley  
Supervisor Gayle B. Uilkema  
Bill Walker, M.D.  
Beverly Wallace  
Eric Zell*

## **AGENDA**

1. Call to Order and Roll Call
2. Approve Minutes of Board Meeting of October 28, 2009
3. Public Comment  
*[At this time persons in the audience may speak on any items not on the Agenda which are within the jurisdiction of the Doctors Medical Center Management Authority.]*
4. Approval of Capital Expenditure:
  - Patient Handling Equipment
5. Presentation and Acceptance of the October 2009 Financial Statements
6. CEO Report
7. Presentation and Acceptance of the 2010 Budget
8. *Adjournment*

# Oct. 28, 2009 Minutes

---

**Tab 2**

# DOCTORS MEDICAL CENTER MANAGEMENT AUTHORITY

**Doctors Medical Center Management Authority  
Governing Board Meeting  
October 28, 2009 – 3:00 pm  
Doctors Medical Center - Auditorium  
2000 Vale Road, San Pablo, CA 94806**

Governing Board  
*Supervisor John Gioia, Chair*  
*Sharon Drager, M.D.*  
*Pat Godley*  
*Supervisor Gayle B. Uilkema*  
*Bill Walker, M.D.*  
*Beverly Wallace*  
*Eric Zell*

## Minutes

### **1. Call to Order and Roll Call – 3:05 p.m.**

Quorum was established; roll was called.

*Voting Members:*      *Eric Zell*  
                                 *Beverly Wallace*  
                                 *Sharon Drager, M.D.*  
                                 *Pat Godley*  
                                 *Bill Walker, M.D.*

*Absent:*                      *Supervisor Gayle B. Uilkema*  
                                 *Supervisor John Gioia, Chair*

### **2. Approval Minutes of Board Meeting of September 23, 2009**

*The motion made by Ms. Wallace and seconded by Mr. Godley to approve the minutes of the September 23, 2009 Board meeting was passed unanimously.*

### **3. Public Comment**

There were no public comments.

### **4. Presentation and Acceptance of September 2009 Financial Statements**

Richard Reid, CFO, reported September 2009 net income was a gain of \$46,000 on a budget of \$15,000; the average length of stay decreased to 4.77 days and the average daily census was 84. He reported that the total cash balance is \$7.8 million and there are 21 days of cash on hand.

*The motion made by Dr. Walker and seconded by Dr. Drager to accept the financials for September 2009 passed unanimously.*

### **5. Approval of Capital Expenditure**

David Ziolkowski, COO is seeking approval of the opening of the Outpatient Center located at the Towne Center in San Pablo. He presented the proposed floor plan lay out,

costs associated with the move and a 5-year financial analysis. He indicated the opening of the outpatient center would respond to growing community need for outpatient and convenient medical services and improve DMC community visibility. Additionally, it will decompress hospital congestion with facilities and parking and improve DMC profitability through outpatient business growth. We are also partnering with the largest primary care physician group (Alliance Medical Group).

Since the total cost of the project is over one million, the JPA can only recommend approval by the District Board.

a. Lease Space at San Pablo Towne Center

*The motion made by Mr. Godley and seconded by Dr. Drager to recommend approval and authorization of Chief Operating Officer or designee to execute on behalf of DMC, lease of 11,500 sq. ft. of space to provide outpatient services at the San Pablo Towne Center with a financial impact of \$26,000 per month passed unanimously.*

b. Sublease Space at San Pablo Towne Center

*The motion made by Ms. Wallace and seconded by Dr. Walker to recommend approval and authorize the Chief Operating Officer or designee to execute on behalf of DMC, sublease of 5,000 sq. ft. of medical space to Alliance Medical Group, Inc. at San Pablo Towne Center for a monthly revenue of \$10,000 per month passed unanimously.*

c. Tenant Improvement

This item was deferred to the December meeting with the final bids.

d. Construction Documents and Equipment Costs

*The motion made by Dr. Drager and seconded by Mr. Godley to recommend approval and authorize the Chief Operating Officer, or designee, to execute on behalf of DMC a contract to finalize the construction and purchase of equipment at the San Pablo Outpatient Center passed unanimously.*

**6. Approval of Resolution**

As directed by JPA during the September Board meeting, Administration wrote a resolution for the Board's approval to maintain current wages for non-represented employees during the next fiscal year. This resolution does not have any impact on labor negotiations.

*The motion made by Ms. Wallace and seconded by Dr. Walker to approve resolution to maintain current wages for non-represented employees during the next fiscal year passed unanimously.*

**7. Joint Commission Report**

Joseph Stewart, President/CEO gave a summary of the findings of the recent Joint Commission Tri-Annual Survey. The actual report of the Joint Commission survey was reviewed and discussed.

**8. CEO/Quality Report**

In October 2009, Joseph Stewart, President/CEO will be celebrating his one-year anniversary; in conjunction with his anniversary, Mr. Stewart gave a summary of his accomplishments during his one-year term. He presented his accomplishments in patient care, financial/HR, community and new business growth. He also presented his 2010 Objectives and requested feedback/suggestions from the Board of Directors.

The development of the county clinic being relocated on DMC site will be added to Mr. Stewart's objectives as requested by a board member.

A separate meeting of the Personnel Committee of the Board will be scheduled to evaluate the CEO.

**9. Institute for Healthcare Improvement**

Director Zell provided the Board with the presentation, which was given at IHI Conference in Chicago on "The Role of the Board in Quality and Safety Update" and gave a feedback on some of the highlights of the conference.

He indicated the Board's ultimate responsibility is to provide oversight for quality and understand credentialing. Some of the highlights of the conference were to have Quality first on the agenda and the Board focus at least 25% of the agenda on Quality. He added that high level of interaction with the medical staff was also discussed.

Mr. Zell reported that the IHI would be holding a spring conference in the West Coast. He stated it was well worth attending and encouraged everyone to attend the upcoming conference.

**10. Adjourn to Closed Session**

The JPA Board adjourned to closed session at 4:40 p.m. Mr. Zell reported that there would not be any reportable actions taken in this closed session.

---

# Capital Expenditure: Patient Handling Equipment

---

Tab 4

**DOCTORS MEDICAL CENTER MANAGEMENT AUTHORITY  
AGENDA ITEM REQUEST / RECOMMENDATION  
DOCUMENTATION FORM**

**TO:** DOCTORS MEDICAL CENTER MANAGEMENT AUTHORITY

**FROM:** Richard S. Reid, CFO

**DATE:** November 24, 2009

**SUBJECT:** Patient Handling Equipment

---

**REQUEST / RECOMMENDATION(S):** Approve and authorize the Chief Financial Officer, or designee, to execute on behalf of DMC, a lease with US Capital Corporation to provide patient handling equipment.

**FISCAL IMPACT:** Monthly lease cost of \$9,109 for 36 months. This agreement will be funded through the normal operating budget of DMC. The total cost of the lease is approximately \$330,000. The lease rates are fixed for a 36 month period.

**STRATEGIC IMPACT:** This program will provide state of the art patient lift equipment. This equipment will improve patient and employee safety.

**REQUEST / RECOMMENDATION REASON, BACKGROUND AND JUSTIFICATION:** Management requests approval to sign a 36 month lease with US Capital Corporation at a monthly cost of \$9,109 to lease Patient Handling Equipment.

Presentation Attachments: Yes \_X\_ No     

Requesting Signature: \_\_\_\_\_ Date:      /      /     

---

**SIGNATURE(S):**

Action of Board on      /      /      Approved as Recommended      Other     

Vote of Board Members:

     Unanimous (Absent     )

Ayes:      Noes:     

Absent:      Abstain:     

I HEREBY CERTIFY THAT THIS IS A TRUE AND CORRECT COPY OF AN ACTION TAKEN AND ENTERED ON THE MINUTES OF THE BOARD ON THE DATE SHOWN.
---

Contact Person: Richard Reid

Attested \_\_\_\_\_  
Eric Zell, Management Authority Board Secretary

Cc:  
Accounts Payable  
Contractor  
CFO/Controller  
Requestor





November 13, 2009

Mary Jo Sullivan  
Doctors Medical Center  
San Pablo Campus  
2000 Vale Road  
San Pablo, CA 94806

**Re: Finance Options**

Dear Mary Jo:

US Capital Corporation is pleased to offer the following equipment financing options:

Equipment Lease Monthly Term	Amount Financed	End of Term	Monthly Payment *
36 Months	\$286,854	\$1.00	\$9,109

- Advance payment equal to 1<sup>st</sup> and last monthly lease payment due in advance
- One time documentation fee of \$299.00
- Monthly payments quoted are estimates and subject to credit approval.

Please call with any questions about this proposal or if you would like any additional options for this customer.

Sincerely,

Bryan Rausch  
US Capital Corporation  
Phone (866) 431-3217

Initials: \_\_\_\_\_

## **Diligent Program**

### **AGREEMENT FOR SAFE PATIENT HANDLING PROGRAM**

Prepared for:

**Doctors Medical Center**

**Diligent, division of ARJO, Inc.**

2349 W. Lake Street

Addison, IL 60101

(866) 844-4424

**November 12, 2009**

Initials: \_\_\_\_\_

## **AGREEMENT FOR SAFETY AND LOSS CONTROL SERVICES**

### **OBJECTIVE**

The Diligent Program is established to improve employee health and the quality of patient care. Diligent will work together with client to achieve an understanding of the organization's practices relative to patient handling/positioning and establish a working partnership that helps the organization move to a safe patient handling environment of care so as to reduce accidents and injuries, and improve staffing and quality of care.

THIS AGREEMENT, (hereinafter "Agreement"), is made and entered into effective on:

\_\_\_\_\_ (Countersignature date)

Between:

Diligent, a division of ARJO, an Illinois corporation, having a principal place of business at 50 North Gary Avenue, Roselle, Illinois 60172 (hereinafter "Diligent" or "ARJO")

And:

Doctors Medical Center  
(hereinafter "CLIENT")  
2000 Vale Road  
San Pablo, CA 94806

WHEREAS, CLIENT desires to enter into an Agreement with Diligent to provide equipment and services to its facilities on the terms and conditions set forth herein, the following conditions shall apply.

### **1. CONTRACT FOR SERVICES**

CLIENT hereby names Diligent as its provider for the identified Safe Patient Handling program as described hereinafter for program implementation and a subsequent clinical consultation term of 3 years (36 months), commencing immediately after program implementation. Program implementation is the period of time that includes process management, Transfer Mobility Coach and Rehab Coach training, and General Staff Training. The end of the implementation term is the last day of scheduled General Staff Training. Diligent will provide the program as outlined in this Agreement to the CLIENT facilities identified within the Unit Summary in Exhibit A.

### **2. CUSTOM PROGRAM AND PRICING**

Set forth in this Agreement, Addendum A and Exhibit A attached hereto and incorporated herein by reference is the program offered to the CLIENT's facilities.

Initials: \_\_\_\_\_

### 3. GUARANTEE

- a. A 60% reduction in the pre-program baseline number of patient handling incidents to employees is guaranteed in each program year. These patient handling incidents are those that have occurred as a result of all transfer, repositioning and patient movement tasks. These transfer and repositioning tasks will be modified to utilize assistive patient handling devices and processes within the program. This annual pre-program baseline is the previous three year average number of incidents and is mutually agreed upon by CLIENT and Diligent to be \_\_\_\_\_ and the annual guaranteed reduction target will be this number less 60%, which equals \_\_\_\_\_.
- b. The mutually agreed upon source of this data will be \_\_\_\_\_.
- c. If the actual reduction from the original baseline number is less than 60% in any program year, CLIENT will receive the equivalent reimbursement of a % of the Diligent program investment (1/3 of program total) for that year (based on the actual % reduction) Example: If 40% reduction is attained, the goal was missed by 20% and Diligent will reimburse 20% of 1/3 of program value for that year only.
- d. The maximum reimbursement is 50% per year. At a 50% reimbursement (10% reduction), the program is not functioning properly and either party may terminate the program without further cost to CLIENT. CLIENT will be responsible for any remaining invoices at the time of termination.
- e. Only units that have patient handling equipment will be applied to the guarantee.
- f. The highest ranking nursing officer must meet with Diligent clinical consultant to review program progress and results on a quarterly basis. Failure to meet in any given quarter will result in guarantee being suspended until meeting occurs.
- g. All nursing management/unit managers for units with equipment must attend mandatory Nursing presentation and attend at least one General Staff Training session. Failure to do so will result in the manager's unit not being included within the guarantee.
- h. Any injury that occurs 24 hours after notification to Diligent of a non-functioning lift will be counted against the guarantee. It is expected that CLIENT will use appropriate safeguards and common sense to eliminate risk to staff until service or replacement of the equipment is completed.
- i. If an incident occurs due to the failure of the facility's staff to follow the appropriate patient transfer policies, or failure to use the ergonomic patient handling equipment that the patient was assessed for, or an assessment was not performed, Diligent will not be held responsible, and these incidents will be exempt from the guarantee. If CLIENT has any additional existing patient handling equipment outside of the program investment summary, it must be determined and stipulated in writing via e-

Initials: \_\_\_\_\_

mail and followed by hard copy by CLIENT and Diligent as an effective method to reduce risk of injury.

- j. CLIENT must provide necessary worker's compensation data during each consultant visit. An e-mail will be sent from Diligent consultant to CLIENT if the necessary data is not available during two consecutive visits. Guarantee will be suspended until data is received if CLIENT does not provide data within 30 days from date of correspondence. Guarantee will be reinstated upon receipt of necessary data.
- k. This guarantee is null and void if client has outstanding invoices for program fees that are past 30 days. Guarantee will be reinstated for the duration of the contract period upon payment of any delinquent program fees.
- l. If a transfer-related injury occurs, CLIENT must contact Diligent within three (3) business days of knowledge of the incident so Diligent can review and follow-up. If a transfer-related injury is not reported within the three (3) business days (Monday through Friday), it will not be counted in the guarantee.
- m. After each program year, Diligent and CLIENT will evaluate the elapsed year's incidents and verify whether guarantee has been met or not. If reimbursement is owed to CLIENT, fees will be credited back to CLIENT and CLIENT may suspend current fee payment until the fee credit is nil. If reimbursement is owed to CLIENT for performance in year three when fees are paid in full, Diligent will reimburse CLIENT within 60 days of evaluation of incidents.
- n. The starting date for incident tracking (for the guarantee) will begin 60 days after the last scheduled General Staff Training and will continue for 36 months, or until ongoing clinical support visits expire, whichever comes first.
- o. In the event that an incident or accident may have been caused by an equipment failure, CLIENT agrees to immediately remove the equipment until an ARJO service technician has evaluated and cleared the equipment for use.

#### **4. CONSULTING SERVICES**

On and after installation, a Diligent Clinical Consultant will be offering oversight, mentoring and consulting for the life of the contract, as set forth in more detail in Addendum A.

#### **5. PAYMENT TERMS**

Equipment and services in the amount set forth in Addendum A will be billed to CLIENT and shall be paid by CLIENT per the payment terms in Addendum A. Any payment not made within 30 days of invoicing shall be subject to a late charge of one and one-half (1 1/2) percent of the delinquent amount per month.

Initials: \_\_\_\_\_

## **6. PRICING**

Pricing for all equipment and services is detailed in Addendum A and Exhibit A.

## **7. EQUIPMENT INSTALLATION**

CLIENT acknowledges and agrees that it is solely responsible for providing the necessary utilities and structural support for the Equipment and that ARJO shall have no responsibilities in that regard whatsoever. At the time of shipment, ARJO shall provide CLIENT with all available equipment operating manuals, videos and any other written information associated with equipment operation.

CLIENT agrees to take delivery of equipment per the shipment dates identified during the Process Day. If the set dates are delayed for any reason other than ARJO or Diligent changing the dates, then the facility agrees to either accept delivery on the set dates or the facility will accept delivery to a warehouse paid for by the CLIENT.

## **8. MAINTENANCE AND OPERATION**

ARJO's extensive direct service organization provides a high level of service by trained company technicians.

- a. In the event that CLIENT equipment needs maintenance, repair or servicing, CLIENT facility shall notify Customer Care at 1-800-323-1245 between office hours of 7:00 a.m. and 6:00 p.m. CST Monday to Thursday and 7:00 a.m. and 5:30 p.m. CST Friday.
- b. A charge for repair may be imposed in situations of equipment abuse, even if the equipment is under warranty,
- c. ARJO powered patient lifting equipment (except MaxiSky) within program include pre-purchased two year comprehensive Gold equipment service plans that begin one year and sixty days after delivery of equipment. After the year one warranty, each piece of equipment's Gold PM Comprehensive service plan option includes:
  - i. One free scheduled annual preventative maintenance visit
  - ii. No charge on all required preventative maintenance supplies
  - iii. Up to three additional equipment service calls in each year on each piece of equipment (8:00 a.m. to 5:00 p.m.). After three callbacks have been used, a 15% discounted Preferred Labor rate of \$104/hour and \$64/hour for travel will be charged for any additional repair callbacks
  - iv. Free labor for installation of any authentic ARJO parts during inspection and first 3 callbacks
  - v. 50% discount on ARJO parts required during these service calls
  - vi. ARJO will automatically extend the annual equipment service agreements on all ARJO powered equipment at the current service agreement rates at the time of each new annual extension. Service agreements will be billed annually at the beginning of each new plan extension period. Either party may cancel the extended service agreements with 30 days notice prior to the end of each new annual contract extension start date.
  - vii. Please see Exhibit B for full service plan terms and conditions.

Initials: \_\_\_\_\_

- d. All other ARJO and non-ARJO equipment is subject to each manufacturer's one year warranty. The MaxiSky Ceiling Lift System will be warranted for one year from the date of installation to be free from manufacturer's defect of the cassette. MaxiSky Track (hardware) is warranted against manufacturer's defect for the life of the installation. MaxiSky Track Installation (services) is warranted for the life of the installation.
- e. An ARJO technician will respond within 24 hours of receiving the service call to the appropriate personnel as identified by CLIENT. Contact by the technician will be via the telephone, at which point an appropriate appointment will be scheduled.
- f. ARJO will have a technician on site within 6 days of receiving the call to diagnosis and repair unit. CLIENT maintains the right to extend that call beyond 6 days.
- g. Diligent will provide CLIENT with the Customer care information within the Unit Binder provided during program implementation in order to expedite the placement of the service call.

#### **9. RISK OF LOSS**

CLIENT shall bear all risk of loss, theft, damage, or destruction of the Equipment from the time the Equipment is delivered.

#### **10. SUPPORT SERVICE**

- a. Throughout the term of this Agreement, Diligent shall:
  - i. Schedule consultant visits to assess the status of the Diligent Program success and to consult with the designated staff of Participating Facilities regarding their support needs
  - ii. Mentor Facilities with regard to the value and benefits of the equipment for therapeutic use for mobility goals or product use of the tools provided as part of the program.
  - iii. Provide education regarding program implementation and ongoing program support. Education activities will be conducted as needed by qualified Diligent personnel.
- b. Throughout the term of this Agreement, CLIENT shall:
  - i. Provide notice to the participating facilities and employees that Diligent has been designated CLIENT's program provider for the patient handling/positioning program and will be active in the facilities for the contracted period.
  - ii. Allow Diligent consulting staff to make personal contact with designated Facility management and personnel during normal business hours, by scheduled appointment to further enhance understanding of this program and Agreement.

Initials: \_\_\_\_\_

- iii. Provide necessary injury information during each consultant visit for the purpose of monitoring and reporting the program's success.

#### **11. FORCE MAJEURE**

CLIENT shall not hold Diligent responsible in damages or otherwise for any failure or delay on performance of any of its obligations hereunder caused by strike, lockout or other industrial disturbances, fire, earthquake, explosion, flood, storm, or act of God, governmental action or regulation, lack of transportation or distribution Facilities, or any other cause whatsoever beyond its reasonable control and which by the exercise of due diligence, it is unable to overcome.

#### **12. NOTICES**

Any notice or other communication affecting any of the contents of this Agreement by either party to the other shall be in written hard copy or via email with hard copy following to the following designated parties:

CLIENT: Doctors Medical Ctr  
2000 Vale Road  
San Pablo, CA 94806  
Attn: Barbara Brown

DILIGENT: Diligent, division of ARJO  
50 North Gary Ave  
Roselle, IL 60172  
Attn: Bryon Kunkel  
Diligent Director

With copy to:

With copy to: Gabriela Ochoa  
Diligent Program Coordinator  
(866) 844-4424 X 6163

#### **13. SEVERABILITY**

The provisions of this Agreement are severable. If any provision of this Agreement shall be deemed invalid in whole or part under applicable law, such validity shall not invalidate the remainder of such provisions of this Agreement. If the removal of such provision(s) changes the original intent of this Agreement, then the Agreement is null and void with no other obligation on the part of either party.

#### **14. CONFIDENTIALITY CLAUSE**

The Pricing and support materials for services and equipment within this Agreement are confidential and shall remain confidential between Diligent and CLIENT and will not be shared with outside sources, unless otherwise required by law. Diligent reserves the right to promote program results. Diligent will keep confidential any patient information that is obtained through measurement of the program.

#### **15. PUBLICATION OF RESULTS AND REFERENCES**

The Diligent program is committed to publishing aggregate results in key performance areas that may include CLIENT data (less identifiers). In addition, CLIENT agrees to



Initials: \_\_\_\_\_

serve as a reference for the program partnership which may include a request for a written reference, verbal support, and/or videotaping for marketing purposes.

**16. COPYRIGHT**

All program materials are the property of Diligent and shall not be printed, copied, modified or distributed without the written permission from Diligent.

**17. COMPLIANCE WITH LAWS**

Diligent shall comply with all laws, ordinances, codes, rules, regulations, and licensing requirements that are applicable to the conduct of its business and the performance of this Agreement, including those of federal, state, and local agencies having jurisdiction and/or authority.

**18. INDEMNITY**

Diligent agrees to defend, indemnify, and hold harmless CLIENT, its officers, directors, employees, successors and assigns, from and against any and all liability, claims, and costs of whatsoever kind and nature, including court costs and reasonable attorneys fees arising out of or from: (a) any death, personal injury or property damage caused by the negligence or intentionally wrongful acts of Diligent, its agents, employees and independent contractors, (b) the breach by Diligent or its subcontractors of the provisions of this Agreement, and (c) other acts or omissions of Diligent, its agents, employees or subcontractors. The requirements of this Section will survive the expiration or termination of this Agreement.

**19. INSURANCE**

Diligent shall at its expense obtain and maintain in force during the Term of this Agreement the following insurance coverage:

- i. A policy of worker's compensation insurance, in amounts required by law, covering all of its employees. Diligent shall also ensure that its agents who are not employees who are engaged in the delivery of Services to maintain insurance in similar amounts;
- ii. A policy of comprehensive general liability insurance and contractual liability with broad form property damage endorsement in the amount of not less than two million dollars (\$2,000,000) combined single limit with respect to personal injury, death, or damage to property;

Initials: \_\_\_\_\_

**20. ACCEPTANCE**

In order to be valid, this Agreement must be signed below by a duly authorized officer of Diligent.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized representative as of the day and year written below.

CLIENT'S ACCEPTANCE:

Diligent's ACCEPTANCE:

By: \_\_\_\_\_

Signature

By: \_\_\_\_\_

Signature

\_\_\_\_\_  
Title

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date

Capital Purchase Order #: \_\_\_\_\_

Operating Purchase Order #: \_\_\_\_\_ (if needed)

Services Purchase Order#: \_\_\_\_\_ (if needed)

Please return this copy of Agreement fully executed, with a copy of CLIENT's tax exempt certificate to Gabriela Ochoa, Diligent, Division of Arjo, Inc., at address above.

Initials: \_\_\_\_\_

## ADDENDUM A

### PROGRAM PRICING

1. CLIENT's contracted fees include all services and equipment described within this Addendum A, and detailed in Exhibit A, and will be paid according to the following schedule:

**Option A: Cash payment for equipment and implementation services, with ongoing support services billed in a monthly fee**

i. Upon execution of agreement (10% of equipment)	\$ 17,672.76
ii. Upon shipment of equipment (90% of equipment)	\$ 159,054.90
iii. Upon program implementation (Implementation services)	\$ 57,927.00
iv. Monthly clinical support services \$ 1,450.00per month for 36 months	\$ 52,200.00
	<hr/>
<b>Total Investment:</b>	<b>\$ 286,854.66</b>

Please initial if Option A is chosen Method of payment: \_\_\_\_\_

2. All fees are due within 30 days of invoice.
3. Any need for changes to the equipment listing in the investment summary portion of Exhibit A during the program will be documented and negotiated between Diligent and CLIENT.
4. Additional clinical support visits by Diligent that are requested by CLIENT in writing and outside of the contract will be billed at \$1,450 per consultant per visit.
5. Additional Transfer Mobility or Rehab Coach training requested by CLIENT in writing and outside of the contract will be billed at \$ 250 per participant for a minimum of 10 participants and a maximum of 15 per class.
6. Optional ergonomic consulting and training for non-clinical employees will be supplied and billed as agreed to by CLIENT in writing. Each workshop will accommodate 12 to 20 people and will last for two hours duration. Cost per person for these workshops is \$50 per participant.

Initials: \_\_\_\_\_

7. All products and services provided by Diligent are the property of CLIENT at conclusion of payment for the product or services and are owned by ARJO to that point.
8. All ARJO pricing within this agreement includes a Group Purchasing contract discount for Broadlane. Top Tier pricing has been included in the Investment Summary and will require CLIENT to sign a Sole Source commitment for Patient Handling equipment to qualify for this pricing. A reduced pricing discount will apply if CLIENT does not name ARJO as Sole Source provider for Patient Handling equipment.
9. Pricing within this proposal are valid for 60 days.
10. CLIENT agrees to provide two (2) employees for unloading, uncrating, and staging of equipment upon delivery. ARJO agrees to provide CLIENT with four (4) days notice prior to delivery and will provide one (1) individual to oversee and facilitate receipt once equipment is uncrated. The ARJO employee will not be responsible for physical uncrating of any equipment.

Initials: \_\_\_\_\_

## **CONSULTING SERVICE PARTNERSHIP**

1. Number of total clinical hours within the program is: 60 days (480 hours)  
This includes phone support and report time.
2. Number of Diligent hours during the implementation period included in this total is:  
22 days (176 hours)  
These hours are combined with the equipment in-servicing by ARJO equipment representatives who will be assisting with the initial training. This includes phone support and report writing time.
3. Number of clinical hours in 36 month support period: 38 days (304 hours)  
This includes phone support and report writing time.
4. Transfer and Mobility Coach training and certification for 45 people and a Rehab Coach training program. The TMC training is an 8 hour course for up to two unit champions per shift. It includes comprehensive mentoring that covers all aspects of equipment usage, patient assessment, and leadership. Each participant receives a kit that includes a tote bag, lapel pin, pen holder, and workbook. Each scheduled TMC class is for a maximum of 15 participants. Training days needed for TMC training are itemized in the Investment Summary as consulting days beyond those designated for Program Implementation. In order to increase the skills of TMCs among their peers, the second mandatory component of TMC training is that each TMC is required to work with Diligent and complete additional training return demonstrations in two additional General Staff Training classes. Each unit's TMC is also responsible for completing return demonstration of equipment with their unit's staff within 60 days of General Staff Training.
5. Each clinical support visit shall include, but not be limited to the following services:  
Help the facility design and support the program according to their facility and cultural needs, process review and improvement, problem solving, equipment testing, reporting time, monthly reports to management, and ongoing key coach and in-service training.
6. All Diligent clinical staff are certified with a minimum of one of the following designations – RN, OHN, PT, OT, RPT, PTA, or LPN. All Diligent clinical staff has prior experience in health care and a focus on evidence-based clinical practices.
7. The Diligent Program will focus on process development, in-servicing, mentoring and the utilization of patient lift and transfer equipment.
8. The Diligent Program includes:
  - i. Initial in-servicing for up to 553 staff members and 45 Transfer Mobility Coaches and 8 hours of Rehab Coach training
  - ii. Unit binders for each unit

Initials: \_\_\_\_\_

- iii. Diligent Tools CD containing TMC certificate template, sample marketing pieces, and electronic files of checklists
9. The minimum number of participants that will be trained is 5 for General In-services and 10 for Transfer Mobility Coach training. The maximum number of attendees in any session is 15. The CLIENT's Education department will give Diligent 24 hours notice if less than minimum attendance is confirmed for any training class. If class has less than the minimum number of participants after 15 minutes has passed since the class start time, the Diligent consultant will cancel class for rescheduling. All scheduled visits will occur at mutually agreed upon dates and times.
  10. The number of implementation days is based on training 40 people per day. In the event that low CLIENT staff enrollment in classes or other factors causes the number of days to be insufficient, Diligent reserves the right to take clinical support visits from the ongoing support phase to complete training thereby reducing the ongoing support visits by that same number.

#### **PROGRAM EQUIPMENT**

1. The Unit Summary in Exhibit A details each unit's program equipment. Equipment allocation will be monitored throughout the first 90 days after implementation.
2. Each SARA Plus and SARA 3000 Standing and Raising Aid Lift includes 1 free sling.

Initials: \_\_\_\_\_

## **EXHIBIT A**

(Unit Summary and Investment Summary to follow this page)

## Doctors Medical Center Unit Needs Summary B

The following table is a list of the prescribed equipment needs for each unit based on the data collected during the assessment. This will enable your facility to have sufficient tools so that each clinical area assessed can transition to a safe patient handling level of care.

Unit	500# MaxiMove PDPs	350# MaxiLite	420# SARA PLUS	440# SARA 3000	265# Steady	2 Maxi Slide sheets	2 1.5X MaxiSlide sheets	2 2X MaxiSlide sheets	Maxi Transfer Blue Tubes	HoverMatt	HoverMatt 800W Motor	400# Totalift II Chair	Unit Mgr signoff (initials)
<b>Inpatient Units:</b>													
6th Floor - Med-Surg/Chemo	0	0	1	0	1	18	3	1	3	0	0	0	
5th Floor - Acute Med	0	0	1	0	1	34	5	1	6	1	1	0	
2nd Floor - MICU	1	0	1	0	0	20	3	0	3	0	0	2	
4th Floor - Telemetry	1	0	2	0	1	42	6	0	6	0	0	0	
CSC (Prisoner Ward)	0	0	0	0	1	4	1	1	1	0	0	0	
<b>Specialty Areas:</b>													
Central Transport	0	0	0	0	0	0	0	0	15	0	0	0	
Physical Therapy	1	0	1	0	0	0	0	0	0	0	0	0	
Radiology	1	0	0	0	1	0	0	0	5	0	0	0	
Emergency Department	0	1	0	0	1	6	0	0	9	1	1	0	
<b>Facility Clinics:</b>													
Cancer Center	1	0	0	1	0	0	0	0	3	0	0	0	
<b>Total</b>	<b>5</b>	<b>1</b>	<b>6</b>	<b>1</b>	<b>6</b>	<b>124</b>	<b>18</b>	<b>3</b>	<b>51</b>	<b>2</b>	<b>2</b>	<b>2</b>	



## Diligent Clinical Services: (Exhibit A)

### Clinical services - 36 month support option

\$110,127.00

#### Includes:

- Program implementation and oversight (policies, procedures, guidance)
- Clinical presentations to Executive team and Department leadership
- General Staff Training in designated areas
- Transfer Mobility Coach and Rehab Coach programs
- Program materials

Program Implementation	18.0	Clinical support days during implementation and training Includes:		
	1.0	- Clinical days Process mapping	8.0	Clinical hours
	0.0	- Clinical days Process resolution	0.0	Clinical hours
	0.5	- Clinical days for program administration	4.0	Clinical hours
	0.5	- Clinical days for presentations to Executive team and Department leadership	4.0	Clinical hours
	14.0	- Clinical days for General Staff Training	112.0	Clinical hours
	2.0	- Clinical support days during "Go Live" period	16.0	Clinical hours
		- Day 1 will be for equipment delivery and rollout, subsequent days are for "on unit" support		
<b>TMC Training program</b>	<b>3</b>	<b>Clinical training days for 8 hour Transfer and Mobility Coach (TMC) training program (includes bag, pen, pin, and workbook)</b>		
		- TMC development program is for up to 15 participants per day allowing for:	45	TMCs in this program proposal
<b>Rehab program consultation</b>	<b>1</b>	<b>Clinical training days for Rehab Coach program</b>	8.0	Clinical hours
		- Format of Coach program to be determined at Process Day		
<b>Ongoing Clinical Support</b>	<b>36</b>	<b>Days onsite clinical support visits over 36 month program timeframe</b>	288.0	Clinical hours
		Hours of phone support and research over support period	16.0	Clinical hours
<b>Program Materials</b>				
Safe patient handling recruitment brochures	1000	Brochures for HR recruiting advertising safe patient handling environment		
Patient family brochures	1000	Brochures for nursing to give to family promoting the safety from minimal lift care		
Laminated Lift Assessment Cards	600	Algorithm assessment cards to attach to staff ID badges		
<b>Healthstream Online Computer Based training (LI</b>	<b>3</b>	<b>Three years Healthstream LMS computer based training license for clinical caregivers</b>		
		- Online training and competencies (9 modules)		
<b>Program Reporting and Measurement</b>				
60% incident reduction guarantee				

**36 month program Services Subtotal: \$110,127.00**

## Doctors Medical Center Investment Summary (Exhibit A)

Qty	Item:	Description	2009 List Price	Tier 2 Broadlane Price	Total
PASSIVE FLOOR LIFTS					
1	KM601091	Maxi Lite with Manual DPS, 4 pt. flat style (c/w integrated charger)	\$3,434.07	\$2,987.98	\$2,987.98
5	KMCLXN-D	Maxi Move without Scale, Low Height castors, Medium, Powered Dynamic Positioning System	\$6,472.96	\$5,687.21	\$28,436.06
WYEAST LATERAL TRANSFER SYSTEMS					
2	70600	Total lift II Transfer Chair	\$9,157.00	\$8,366.15	\$16,732.31
2	51084	Head Rest	\$222.00	\$202.03	\$404.06
SLINGS					
3	MAA2090M-L	Large Amputee Sling	\$403.17	\$354.24	\$1,062.72
3	MAA2090M-XL	Extra Large Amputee Sling	\$403.17	\$354.24	\$1,062.72
6	MFA1000M-M	Box of 10 Clip Flites - Size Medium	\$353.20	\$310.88	\$1,865.30
12	MFA1000M-L	Box of 10 Clip Flites - Size Large	\$353.20	\$310.88	\$3,730.59
12	MFA1000M-LL	Box of 10 Clip Flites - Size Large Large	\$353.20	\$310.88	\$3,730.59
6	MFA1000M-XL	Box of 10 Clip Flites - Size X Large	\$353.20	\$310.88	\$1,865.30
3	MFA1000M-XXL	Box of 10 Clip Flites - Size XX Large	\$372.00	\$334.80	\$1,004.40
REPOSITIONING AIDS					
62	NSA0600	Orange Small MaxiTube (23" X 17")	\$38.98	\$34.13	\$2,116.22
24	NSA2000	Set of two purple Maxi Slide sheets (68" X 28")	\$167.40	\$145.76	\$3,498.12
2	NSA4000	Maxi Slides Bulk (100 NSA0500 68" X 28" sheets)	\$6,439.31	\$5,603.27	\$11,206.53
18	NSA6000	Set of two blue 1.5X Maxi Slide sheets (68" x 43")	\$275.18	\$239.85	\$4,317.30
3	NSA7000	Set of two orange 2X Maxi Slide Sheets (68" X 56")	\$352.01	\$306.27	\$918.81
51	NSA0700	MaxiTransfer blue lateral transfer tube	\$82.56	\$71.96	\$3,669.71
ACTIVE LIFTS					
1	HEA0002-US	SARA 3000	\$4,373.50	\$3,842.21	\$3,842.21
6	HEP0001-US	SARA PLUS	\$7,297.68	\$6,346.80	\$38,080.80
2	KKA5130 - M	Medium Transfer/walking sling SARA PLUS	\$326.00	\$285.98	\$571.95
2	KKA5130 - L	Large Transfer/walking sling SARA PLUS	\$326.00	\$285.98	\$571.95
6	KKA5420-M f	Medium Wipedown SARA PLUS Sling (incl w lift)	\$419.00	\$368.08	\$2,208.47
6	KKA5420-L	Large Wipedown SARA PLUS Sling	\$419.00	\$368.08	\$2,208.47
6	KKA5420-XL	XLarge Wipedown SARA PLUS Sling	\$419.00	\$368.08	\$2,208.47
6	KKA5170	Arm Strap for Encore only (2 straps)	\$89.43	\$77.49	\$464.94
6	KKA5110	Kneepad strap Assembly Encore/Chorus	\$75.68	\$65.50	\$392.99
2	KKA5220	Wide Kneepad	\$365.77	\$318.26	\$636.53
3	MFA3000 L	Box of 10 SARA 3000 Flites - Size Large	\$247.80	\$223.00	\$669.00
6	NTA1000	Stedy Active Standing Aid	\$2,163.60	\$1,892.05	\$11,352.29
HOVERMATT AIR TRANSFER SYSTEMS					

2	HM34HS	34" HoverMatt mattress (heat sealed)	\$2,725.00	\$1,779.84	\$3,559.68
2	AIR200G	800W HoverMatt Grounded air supply	\$1,122.00	\$763.23	\$1,526.46
2	HMC100	HoverMatt Cart	\$275.00	\$230.00	\$460.00
OTHER TOOLS					
23	ESOpenL	EZSlides compression stocking application aid (L)	\$30.00	\$30.00	\$690.00
5	ESOpenXL	EZSlides compression stocking application aid (XL)	\$30.00	\$30.00	\$150.00
7	Tube FP	Fanny Pack for MaxiTube for Transport staff	\$30.00	\$10.00	\$70.00
			Sub-Total: \$156,064.41		
			Sales Tax %:		
			ARJO Lifts 2nd and 3rd year GOLD Service Plans:		
			Shipping		
			\$5,462.25		
			\$15,201.00		
			Equipment Sub-Total:		
			\$176,727.66		

36 month capital lease for 3 year Diligent program:

\$9,036 per month

(Subject to credit approval and financed by an outside finance company)

Initials: \_\_\_\_\_

## **EXHIBIT B**

Second and Third Year Service Plan Terms and Conditions

Initials: \_\_\_\_\_

**Arjo GOLD**  
Annual Preventive Maintenance Service Plan  
EQUIPMENT INSPECTION PROGRAM

Includes:

- One free Scheduled Annual Preventive Maintenance Inspection
- No-charge on all required preventive maintenance supplies
- Three unscheduled callbacks per unit (8a.m.-5p.m. weekdays)
- 50% discount on all technician-supplied/ordered authentic Arjo parts
- Free labor for installation of any authentic Arjo parts during inspection and first 3 callbacks
- After three callbacks have been used, Preferred hourly rates of \$104/hour Labor and \$64/hour Travel will apply for Callbacks during normal business hours (15% discount off normal rates).
- After Hours charges will be at 1.5 times normal rates.
- 50% discount applies to all authentic Arjo parts excluding consumables, i.e.: slings, mattresses, cushions, batteries, belts, Arjo liquid products, etc.
- All After Hours service will be billed at the above listed After Hours Preferred Rate. Normal Hours are from 8:00 AM to 5:00 PM Monday through Friday, excluding National Holidays. After Hours are from 5:00 PM to 8:00 AM Monday through Friday, Saturdays, Sundays and National Holidays. All after hours will be billed at a minimum of four hours, portal to portal. All terms and conditions on the reverse side hereof are part of this Agreement.

Terms and Conditions

1. Company agrees to:
  - A. Perform one regularly scheduled maintenance inspection on the equipment described in this agreement. Inspection coverage includes one maintenance inspection, which the Company determines to be appropriate in the light of the condition and usage level of the equipment.
  - B. Provide a Company representative to inspect, lubricate, clean and make ordinary adjustments and repairs to the equipment during each visit covered under the terms of this agreement.
  - C. Perform unscheduled repairs (or callbacks), if included as part of this agreement, limited to the number specified above. Should additional callbacks be requested, service shall be provided at preferred rates. The minimum charge for travel or service is one hour.
  - D. Furnish authentic Arjo parts, if included under the terms of this agreement. The determination of when to replace parts is left to the Company representative's discretion. Additional service charges may be incurred to install authentic Arjo parts during scheduled inspections or callbacks as specified in this agreement.
2. As consideration for the Company providing such services, Customer agrees to:

Initials: \_\_\_\_\_

- A. Pay the invoices in accordance with Company's presently existing payment terms. Arrears (anything other than advance payment) billings incur an additional 10% charge.
  - B. Exercise reasonable care in the operation of the equipment.
  - C. Comply with the factory recommended customer care, cleaning, and preventive maintenance required regiments described in the operating instructions for the equipment.
  - D. Replace all authentic Arjo parts including consumable and supply items as often as is necessary to maintain the equipment in good operating condition (examples include: batteries, castors, hand controls, slings, belts and cushions).
  - E. Provide all power and plumbing requirements and environmental conditions specified in the operating, installation and maintenance instructions for the equipment.
  - F. Customer ensures that before any repairs/maintenance takes place equipment is in non bio-hazardous condition.
3. Perform scheduled maintenance inspections and any callbacks during the Company's normal working hours. Customers will be charged the prevailing rate for after hours calls requested outside of the Company's normal working hours. The Company reserves the right to deny after hours service based on the availability of service personnel or such service whether or not such service is included in this agreement.
4. The following items are expressly excluded from coverage under this agreement:
  - A. Overhauling or rebuilding equipment. Such work will be performed only after a written estimate of charges, including parts, transportation and labor has been submitted to and approved in writing by the Customer.
  - B. Accessory equipment including lock box attachments or any other equipment not itemized in the equipment description portion of this agreement.
5. In addition to the stated prices, Customer will reimburse Company for retailer's occupational tax, sales tax, or any other federal, state, local or foreign taxes, if any, which Company must, at any time, either pay or be required to collect.
6. The Company has no obligation under this agreement to furnish service or parts for repairing damaged or malfunctioning equipment caused by any of the following:
  - A. Abuse, misuse, neglect, use of parts or supplies that do not meet the manufacturer's specifications or failure to follow the equipment maintenance procedures described in the operating instructions;
  - B. Fire, flood, lightning or any other act of God;
  - C. Failure to provide a power supply or an operating environment for the equipment which to conform to the manufacturer's specifications; or
  - D. Adjustment or modification of the equipment by anyone other than Company authorized service personnel.

Initials: \_\_\_\_\_

7. Any parts provided under this agreement may be authentic Arjo new, serviceable, remanufactured or reprogrammed items equivalent to new parts in performance.
8. CUSTOMER'S REMEDY FOR ANY BREACH BY COMPANY OF THIS AGREEMENT SHALL BE PERFORMANCE OF MAINTENANCE OR REPAIR OR REPLACEMENT OF ANY DEFECTIVE PART. COMPANY'S LIABILITY UNDER THIS AGREEMENT IS LIMITED TO THE PRICE PAID BY CUSTOMER FOR THE SERVICES TO BE PROVIDED HEREUNDER. IN NO EVENT SHALL COMPANY BE LIABLE TO CUSTOMER OR ANY OTHER PERSON FOR ANY INDIRECT, INCIDENTAL, SPECIAL, EXEMPLARY OR CONSEQUENTIAL DAMAGES, INCLUDING, BUT NOT LIMITED TO, LOST PROFITS, LOSS OF BUSINESS, PERSONAL INJURY OR ACCIDENTAL DAMAGES SUFFERED OR INCURRED BY CUSTOMER OR ANY OTHER PERSON. THE FOREGOING LIMITATION ALSO INCLUDES CUSTOMER CLAIMS OF THIRD PARTIES. COMPANY MAKES NO WARRANTIES, EXPRESS OR IMPLIED, AND ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE ARE EXPRESSLY EXCLUDED.
9. Company shall not be responsible for any delay or failure to perform under this agreement where such delay or failure of performance is due to causes beyond Company's reasonable control.
10. This agreement shall be effective within the date range defined on the reverse side of this document subject to approval by the Company (after inspection) of the mechanical and/or operational condition of the equipment. This agreement shall be effective for the term indicated on the reverse side of this document. Thereafter, this agreement shall be automatically renewed for one year terms without further action by the parties. Company reserves the right to increase its rates for this service without notice to the Customer.
11. This agreement may be terminated by either party at any time with 30 days written notice sent via registered mail to. The Company will, in the event of such cancellation, refund the sum equivalent to the pro rata portion of any Customer prepayment less any amount due to the Company from the Customer.
12. This agreement shall be governed by the laws of the State of Illinois.
13. The agreement constitutes the entire agreement between the parties and supersedes and cancels any prior agreements, representations, warranties or communications, whether oral or written, relating to the contemplated transactions of the subject matter herein. Neither this agreement nor any provision of it may be changed, waived, or discharged but only by an agreement in writing signed by the party against which the enforcement of such change, waiver, or discharge is sought. Modifications to this agreement shall be binding on the Company only if agreed to in writing by a corporate officer.

---

# Financial Statements

## October 2009

---

**Tab 5**





# Board Presentation

## October 2009 Financial Report

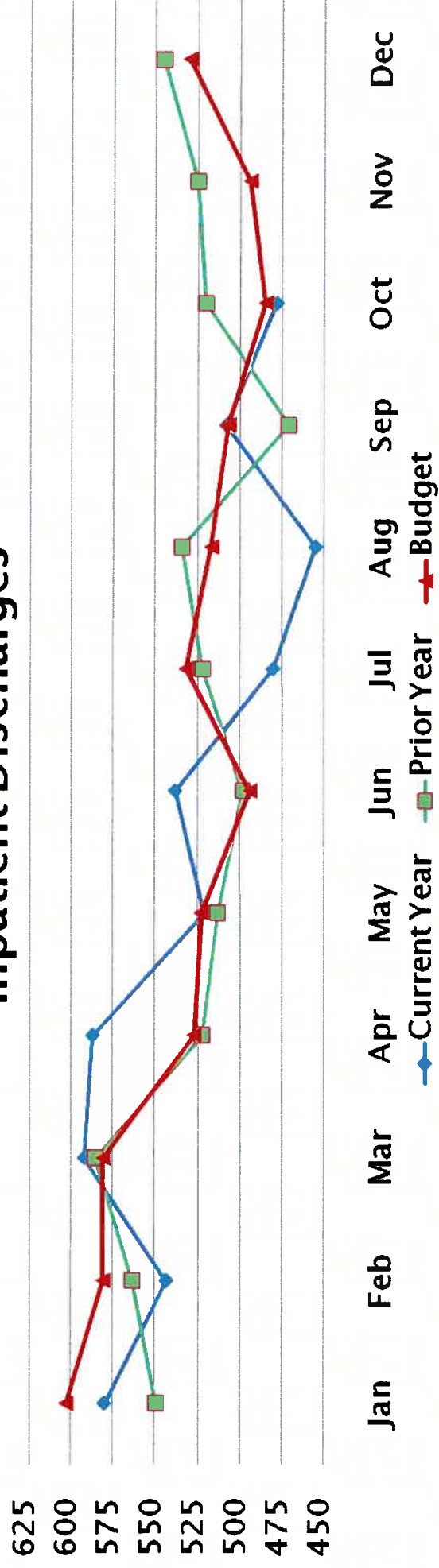
November 24, 2009



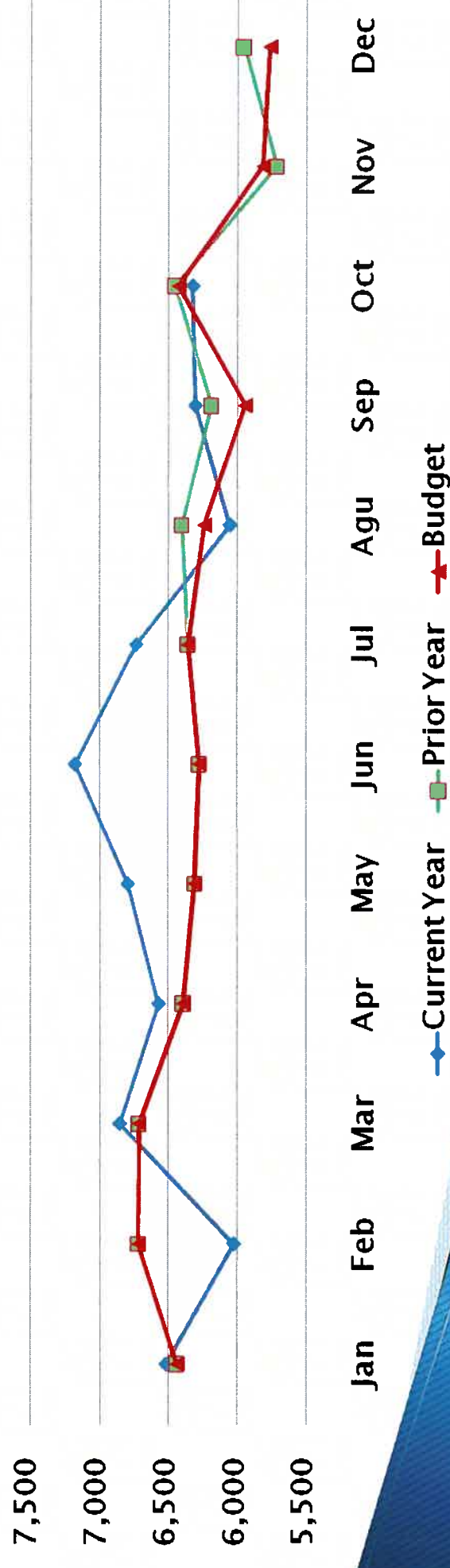
# Patient Activity For the Period Ending October 31, 2009

Actual M.T.D.	Budget M.T.D.	Variance		Actual Y.T.D.	Budget Y.T.D.	Variance
478	485	(7)	Inpatient Discharges	5,282	5,350	(68)
6,328	6,433	(105)	Outpatient Visits	65,382	63,863	1,519

## Inpatient Discharges



## Outpatient Visits



# Statement of Activity – Summary

## For the Period Ending

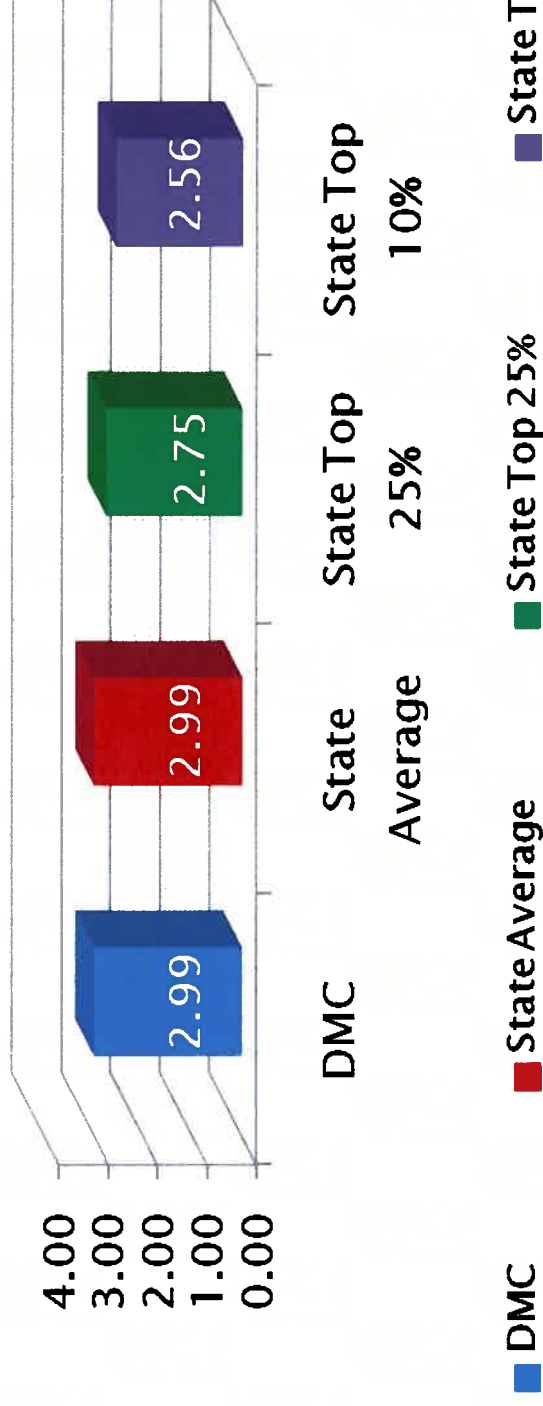
### October 31, 2009

*(Thousands)*

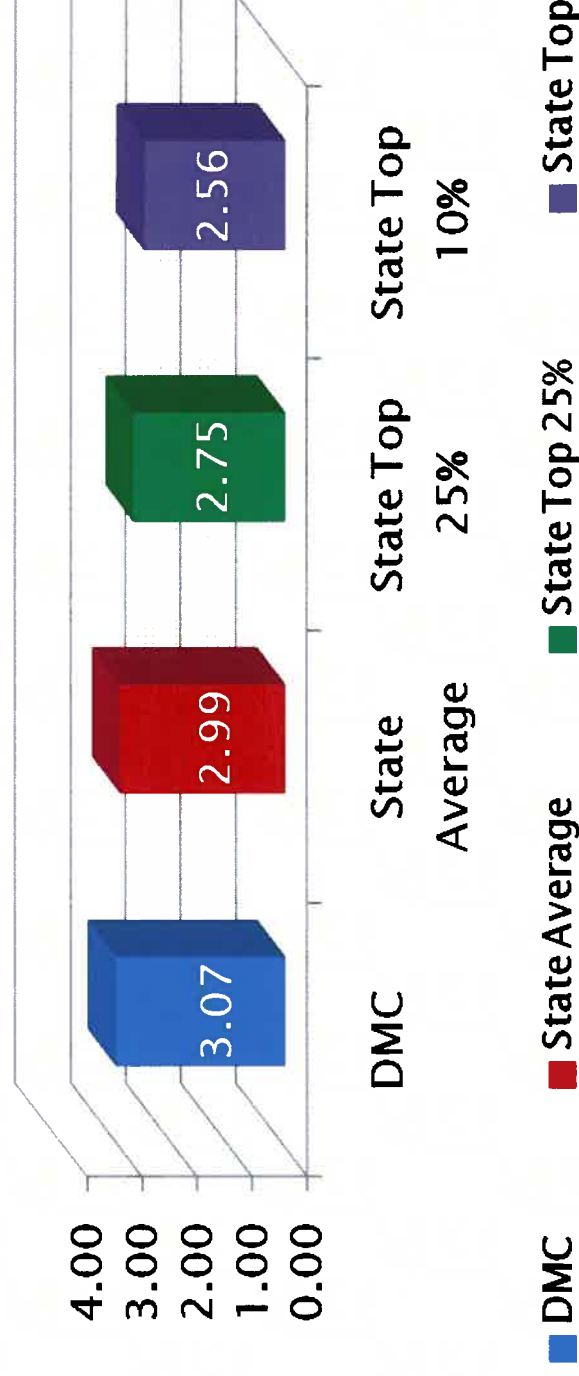
Actual M.T.D.	Budget M.T.D.	Variance		Actual Y.T.D.	Budget Y.T.D.	Variance
\$10,543	\$10,577	(\$34)	Net Operating Revenues	\$116,615	\$114,552	\$2,063
\$11,115	\$11,134	\$19	Total Operating Expenses	\$114,673	\$112,253	(\$2,420)
(\$572)	(\$557)	(\$15)	Income/(Loss) From Operations	\$1,942	\$2,299	(\$357)
\$642	\$616	\$26	Income from Other Sources	\$6,514	\$6,161	\$353
\$70	\$59	\$11	Net Income/(Loss)	\$8,456	\$8,460	(\$4)
0.7%	0.6%	0.1%	Net Income Percentage	7.3%	7.4%	(0.1%)
			California Benchmark Average	4.2%		
			Top 25%	10.5%		
			Top 10%	14.5%		

# Length of Stay Comparison Adjusted For Case Mix Index

October



Year to Date





# Cash Position

## October 31, 2009

*(Amounts in Thousands)*

	October 31, 2009	December 31, 2008
Unrestricted Cash	\$2,088	\$7,218
Restricted Cash	\$5,498	\$8,566
Total Cash	\$7,586	\$15,784
Days Unrestricted Cash	6	18
Days Restricted	15	23
Total Days of Cash	21	41
California Benchmark Average	34	
Top 25%	82	
Top 10%	183	

# Questions

## October 2009 Executive Report

Doctors Medical Center had a Net Income of \$70,000 in the month of October. As a result, net income was over budget by \$11,000 due to lower net patient service revenue less salaries, professional fees, and purchased services.

Net Income was \$11,000 over budget. The following are the factors leading to the Net Income variance:

<b><u>Net Income Factors</u></b>	<b><u>Over / (Under)</u></b>
Net Patient Revenue	
Billing Project	\$293,000
Outpatient Volume variance	\$175,000
Self Pay Volume increase	(\$462,000)
Inpatient Volume Variance	(\$58,000)
<b><u>Expenses</u></b>	
Salaries	\$98,000
Supplies	\$296,000
Professional Fees	(\$210,000)
Purchased Services	(\$90,000)

Net Revenue was under budget by \$52,000. The efforts of the prior year billing project added \$293,000 in net revenue. Outpatient volume exceeded budget by 15.9% resulting in \$175,000 of additional net revenue. Our self pay volume increased and was over budget by \$462,000. This resulted in additional reserves for bad debt and charity care. Inpatient discharges were 7 under budget which resulted in less reimbursement than budget of \$58,000.

Salaries were under budget by \$98,000. This month has the effect of a half month of the change from the 12 hour shifts to an 8 hour shift. The change in staffing reduced the over time for the pay period effectively cutting it in half for the two weeks included in October. This resulted in a \$80,000 reduction in overtime.

Supplies were under budget by \$296,000. In October, the hospital took a physical inventory of all supplies resulting in an increase in inventory of \$116,000. The remainder of the variance is due to the resolution of refunds due from a vendor on purchased made earlier in the year.

Professional fees exceeded budget by \$210,000. The variance consists of 3.0 interim staff at a cost of \$81,000. 1 position will be replaced by a full time employee. DMC is actively recruiting for this position. Legal fees were over budget by \$97,000 related to current union negotiations.

Purchased services were over budget by \$90,000. \$63,000 related to the mobile PET and MRI programs and was offset by the revenues from the programs. Administration has also started the 5 year strategic planning and the consulting fees for the services in October were \$52,000.



**WEST CONTRA COSTA HEALTHCARE DISTRICT**  
**DOCTORS MEDICAL CENTER**  
**INCOME STATEMENT**  
**October 31, 2009**  
(Amounts in Thousands)

	CURRENT PERIOD			CURRENT YTD			PRIOR YEAR	
	ACTUAL	BUDGET	VAR	VAR %	ACTUAL	BUDGET	VAR	ACTUAL
<b>OPERATING REVENUE</b>								
1 Net Patient Service Revenue	10,444	10,496	(52)	-0.5%	115,729	113,748	1,981	110,176
2 Other Revenue	99	81	18	22.2%	886	804	82	919
3 <b>Total Operating Revenue</b>	<u>10,543</u>	<u>10,577</u>	<u>(34)</u>	<u>-0.3%</u>	<u>116,615</u>	<u>114,552</u>	<u>2,063</u>	<u>111,095</u>
<b>OPERATING EXPENSES</b>								
4 Salaries & Wages	5,093	5,191	98	1.9%	54,535	53,046	(1,489)	50,110
5 Employee Benefits	2,153	2,129	(24)	-1.1%	22,353	22,474	121	22,478
6 Professional Fees	911	701	(210)	-30.0%	8,253	6,902	(1,351)	11,276
7 Supplies	1,496	1,792	296	16.5%	16,182	16,739	557	16,822
8 Purchased Services	686	596	(90)	-15.1%	5,949	5,987	38	5,356
9 Rentals & Leases	122	91	(31)	-34.1%	981	910	(71)	840
10 Depreciation & Amortization	289	325	36	11.1%	2,885	3,105	220	2,785
11 Other Operating Expenses	365	309	(56)	-18.1%	3,535	3,090	(445)	3,433
12 <b>Total Operating Expenses</b>	<u>11,115</u>	<u>11,134</u>	<u>19</u>	<u>0.2%</u>	<u>114,673</u>	<u>112,253</u>	<u>(2,420)</u>	<u>113,100</u>
<b>Operating Profit / Loss</b>	<u>(572)</u>	<u>(557)</u>	<u>(15)</u>	<u>2.7%</u>	<u>1,942</u>	<u>2,299</u>	<u>(357)</u>	<u>(2,005)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>								
14 District Tax Revenue	753	753	-	0.0%	7,676	7,531	145	7,438
15 Investment Income	4	28	(24)	-85.7%	104	280	(176)	395
16 Less: Interest Expense	(115)	(165)	50	0.0%	(1,266)	(1,650)	384	(1,362)
17 <b>Total Net Non-Operating</b>	<u>642</u>	<u>616</u>	<u>26</u>	<u>4.2%</u>	<u>6,514</u>	<u>6,161</u>	<u>353</u>	<u>6,471</u>
<b>Income Profit (Loss)</b>	<u>70</u>	<u>59</u>	<u>11</u>	<u>18.6%</u>	<u>8,456</u>	<u>8,460</u>	<u>(4)</u>	<u>4,466</u>
<b>Profitability Ratios:</b>								
19 Operating Margin %	-5.4%	-5.3%			1.7%	2.0%		-1.8%
20 Profit Margin %	0.7%	0.6%			7.3%	7.4%		4.0%
<b>SWB / APD</b>								
21 SWB / Total Operating Expenses	2,032	1,930	(102)	-5.3%	2,019	1,928	(91)	1,886
22 Total Operating Expenses / APD	65.2%	65.7%			67.0%	67.3%		64.2%
23 I/P Gross Charges	3,117	2,936	(181)	-6.2%	3,011	2,866	(145)	2,939
24 O/P Gross Charges	33,132	39,245	(6,113)	-15.6%	375,648	402,694	(27,046)	374,253
25 <b>Total Gross Charges</b>	<u>20,112</u>	<u>17,359</u>	<u>2,753</u>	<u>15.9%</u>	<u>193,043</u>	<u>177,078</u>	<u>15,965</u>	<u>184,629</u>
26 <b>Total Gross Charges</b>	<u>53,244</u>	<u>56,604</u>	<u>(3,360)</u>	<u>-5.9%</u>	<u>568,691</u>	<u>579,772</u>	<u>(11,081)</u>	<u>558,882</u>

[illegible]

**WEST CONTRA COSTA HEALTHCARE DISTRICT**  
**DOCTORS MEDICAL CENTER**  
**INCOME STATEMENT**  
**October 31, 2009**  
(Amounts in Thousands)

	CURRENT PERIOD			PRIOR YEAR		
	ACTUAL	BUDGET	VAR	VAR %	ACTUAL	ACTUAL
57	5.21	4.58	0.63	13.7%	5.38	4.85
58	5.79	5.13	0.66	12.9%	6.01	5.51
					Worked FTE / AADC	4.54
					Paid FTE / AADC	5.18
59	2,929	2,768	161	5.8%	3,085	3,039
60	14,931	14,928	3	0.0%	16,287	14,933
61	3,178	2,698	480	17.8%	2,537	2,953
					Net Patient Revenue / APD	2,904
					I/P Charges / Patient Days	14,803
					O/P Charges / Visit	2,773
62	1,428	1,369	(59)	-4.3%	1,515	1,432
					Salary Expense / APD	1,354
						(78)
						-5.7%
						1,302
						4.45
						5.10
						2,863
						14,521
						2,872

**WEST CONTRA COSTA HEALTHCARE DISTRICT  
DOCTORS MEDICAL CENTER  
BALANCE SHEET  
October 31, 2009  
(Amounts in \$1,000)**

	Current Month	Dec. 31, 2008		Current Month	Dec. 31, 2008
<b>ASSETS</b>			<b>LIABILITIES</b>		
63 Cash	2,088	7,218	89 Current Maturities of Debt Borrowings	3,619	3,526
64 Net Patient Accounts Receivable	14,952	8,647	90 Accounts Payable and Accrued Expenses	11,439	8,672
65 Other Receivables	11,570	5,125	91 Accrued Payroll and Related Liabilities	8,959	8,110
66 Inventory	2,002	1,886	92 Deferred District Tax Revenue	3,385	3,180
67 Prepaid Expenses and Deposits	888	993	93 Estimated Third Party Payor Settlements	3,062	646
<b>68 TOTAL CURRENT ASSETS</b>	<b>31,500</b>	<b>23,869</b>	<b>94 Total Current Liabilities</b>	<b>30,464</b>	<b>24,134</b>
<b>69 Assets With Limited Use</b>	<b>5,498</b>	<b>8,566</b>	<b>Other Liabilities</b>		
<b>Property Plant &amp; Equipment</b>			95 Other Deferred Liabilities	208	3,327
70 Land	12,090	12,090	96 Chapter 9 Bankruptcy	1,771	5,148
71 Bldg/Leasehold Improvements	34,287	33,304	<b>Long Term Debt</b>		
72 Capital Leases	10,926	10,926	97 Notes Payable - Secured	25,969	28,351
73 Equipment	32,251	30,651	98 Capital Leases	3,255	4,139
74 CIP	1,106	642	99 Less Current Portion LTD	-3,619	-3,526
75 Total Property, Plant & Equipment	90,660	87,613	<b>100 Total Long Term Debt</b>	<b>25,605</b>	<b>28,964</b>
76 Accumulated Depreciation	-46,939	-44,295	<b>101 Total Liabilities</b>	<b>58,048</b>	<b>61,573</b>
<b>77 Net Property, Plant &amp; Equipment</b>	<b>43,721</b>	<b>43,318</b>	<b>EQUITY</b>		
<b>78 Intangible Assets</b>	<b>592</b>	<b>627</b>	102 Retained Earnings	14,807	-3,271
			103 Year to Date Profit / (Loss)	8,456	18,078
			<b>104 Total Equity</b>	<b>23,263</b>	<b>14,807</b>
<b>79 Total Assets</b>	<b>81,311</b>	<b>76,380</b>	<b>105 Total Liabilities &amp; Equity</b>	<b>81,311</b>	<b>76,380</b>
80 Current Ratio (CA/CL)	1.03	0.99			
81 Net Working Capital (CA-CL)	1,036	(265)			
82 Long Term Debt Ratio (LTD/TA)	0.31	0.38			
83 Long Term Debt to Capital (LTD/(LTD+TE))	0.52	0.66			
84 Financial Leverage (TA/TE)	3.5	5.2			
85 Quick Ratio	0.56	0.66			
86 Unrestricted Cash Days	6	19			
87 Restricted Cash Days	15	22			
88 Net A/R Days	49	25			

---

# 2010 Budget

---

Tab 7



# 2010 Budget

November 24, 2009



# Goals of 2010 Budget

- Achieve a Net Income Exceeding \$11,000,000
- Increase ownership and accountability of DMC Department Leadership in the 2010 Budget.
- Increase commitment to quality & patient safety
- Improve operational support for clinical services
- Fund a portion of capital purchases from operational dollars
- Operational dollars to pay long term debt and increase cash balance by 20%

# 2010 Budget Process

The intent was to increase our Department's accountability and ownership of the 2010 Budget and to make the 2010 Budget not a projection of the 2009 spending, but an actual operating plan.

- Met with large revenue producing Department Directors to review volumes and growth opportunities.
- Met with each Department Director to review revenue assumptions and expenses.

Outcome: Each Department Director understands what is in their budgets and will be accountable for their budgets. The 2010 Budget is the Financial Operating Plan for 2010.





# Summary of Actions Taken to Close the \$17 Million Gap

## 2008 Activities

Insurance Reimbursement Rates	\$2,900,000
Reduction of 20 FTEs	\$2,210,000
Reduction in Unemployment taxes	\$320,000
Drug Cost Reduction – 430B program	\$400,000
IV fluid & Starter Kit Reductions	\$400,000
Implant Cost Reduction	\$318,000
Miscellaneous Supply Reductions	\$300,000
Salary Increases	(\$2,400,000)
Retirement Cost Increases	(\$600,000)

## 2009 Activities

Revenue Enhancements	\$3,000,000
Reduction in Professional Fees	\$3,377,000
Staffing Changes	(\$1,500,000)
Additional Quality Spending	(\$1,000,000)
Growth in Outpatient Services	\$1,600,000
Taken Prior to 2010	<u>\$9,325,000</u>

# Summary of Actions Taken to Close the \$17 Million Gap (Cont.)

Implemented – 2009 Projected	\$9,325,000
2010 Budgeted Changes	
Revenue Enhancements	\$900,000
Reduction in Overtime	\$2,000,000
Reduction in Pharmacy Costs	\$400,000
Quality & Patient Safety	(\$500,000)
Extended Hrs. – Pharmacy & Supply	(\$596,000)
2010 Projected Improvements	<u>\$11,529,000</u>
Balance of GAP for 2011	\$5,741,000
Total Improvements	<u>\$17,000,000</u>

# Operational Improvements In 2010 Budget

- Increased Pharmacy hours to provide enhanced support for nursing, improve quality, and ensure consistency of care.
- Centralized patient transporting into single department to increase efficiency and effectiveness.
- Centralized repairs to Bio-Med Department to improve accountability.



# Operational Improvements (Cont.)

## In 2010 Budget

- Revised productivity benchmarks to agree with staffing matrix and Title 22 requirements including reclassification of in-service and orientation to non-productive time.
- Implemented new processes in revenue cycle management to ensure correct payments.
- Implement operational support for nursing by adding a position to assist in cost control and productivity management.



# Continued Commitment to Quality & Patient Safety

- ▶ Increase in Permanent FTEs from 4 to 6.5, \$227,000
- ▶ Increase in Nursing Education, \$184,000
- ▶ Implemented Patient Handling System, \$108,000
- ▶ Increase Pharmacy Hours, \$322,000



# 2010 Budgeted Statement of Revenues and Expenses

## *Amounts in Thousands*

OPERATING REVENUE	ACTUAL 2008	PROJECTED 2009	BUDGET 2010	CHANGES	% CHANGE
Net Patient Service Revenue	\$115,612	\$123,246	\$125,570	\$2,324	1.9%
CMAC Funding	12,000	12,000	12,000	0	0%
Kaiser / John Muir Funding	5,000	5,000	5,000	0	0%
Other Revenue	1,117	1,076	1,086	10	1.0%
<b>Total Operating Revenue</b>	<b>\$133,729</b>	<b>\$141,322</b>	<b>\$143,656</b>	<b>\$2,334</b>	<b>1.7%</b>
<b>OPERATING EXPENSES</b>					
Salaries & Wages	\$60,379	\$66,301	\$64,122	(\$2,179)	(3.3%)
Employee Benefits	27,574	28,324	28,511	187	0.7%
Professional Fees	13,227	9,774	9,379	(395)	(0.4%)
Supplies	19,800	19,623	19,702	79	0.4%
Purchased Services	6,547	7,073	8,405	1,332	18.8%
Rentals & Leases	1,070	1,149	1,648	499	43.4%
Depreciation & Amortization	3,502	3,458	3,722	264	7.6%
Other Operating Expenses	3,915	4,158	4,518	360	8.7%
<b>Total Operating Expenses</b>	<b>\$136,014</b>	<b>\$139,860</b>	<b>\$140,008</b>	<b>(\$148)</b>	<b>(0.1%)</b>
<b>Operating Profit / Loss</b>	<b>(\$2,285)</b>	<b>\$1,442</b>	<b>\$3,648</b>	<b>\$2,186</b>	<b>149.5%</b>
<b>NON-OPERATING REVENUES/(EXPENSES)</b>					
District Tax Revenue	\$8,955	\$9,255	\$9,255	\$0	0.0%
Investment Income	391	140	105	(35)	(25%)
Less: Interest Expense	(1,627)	(1,546)	(1,495)	(51)	(3.3%)
<b>Total Net Non-Operating</b>	<b>\$7,719</b>	<b>\$7,849</b>	<b>\$7,865</b>	<b>\$16</b>	<b>0.2%</b>
<b>Income Profit (Loss)</b>	<b>\$5,434</b>	<b>\$9,311</b>	<b>\$11,513</b>	<b>\$2,202</b>	<b>23.6%</b>

# Cost of Self Pay Patients

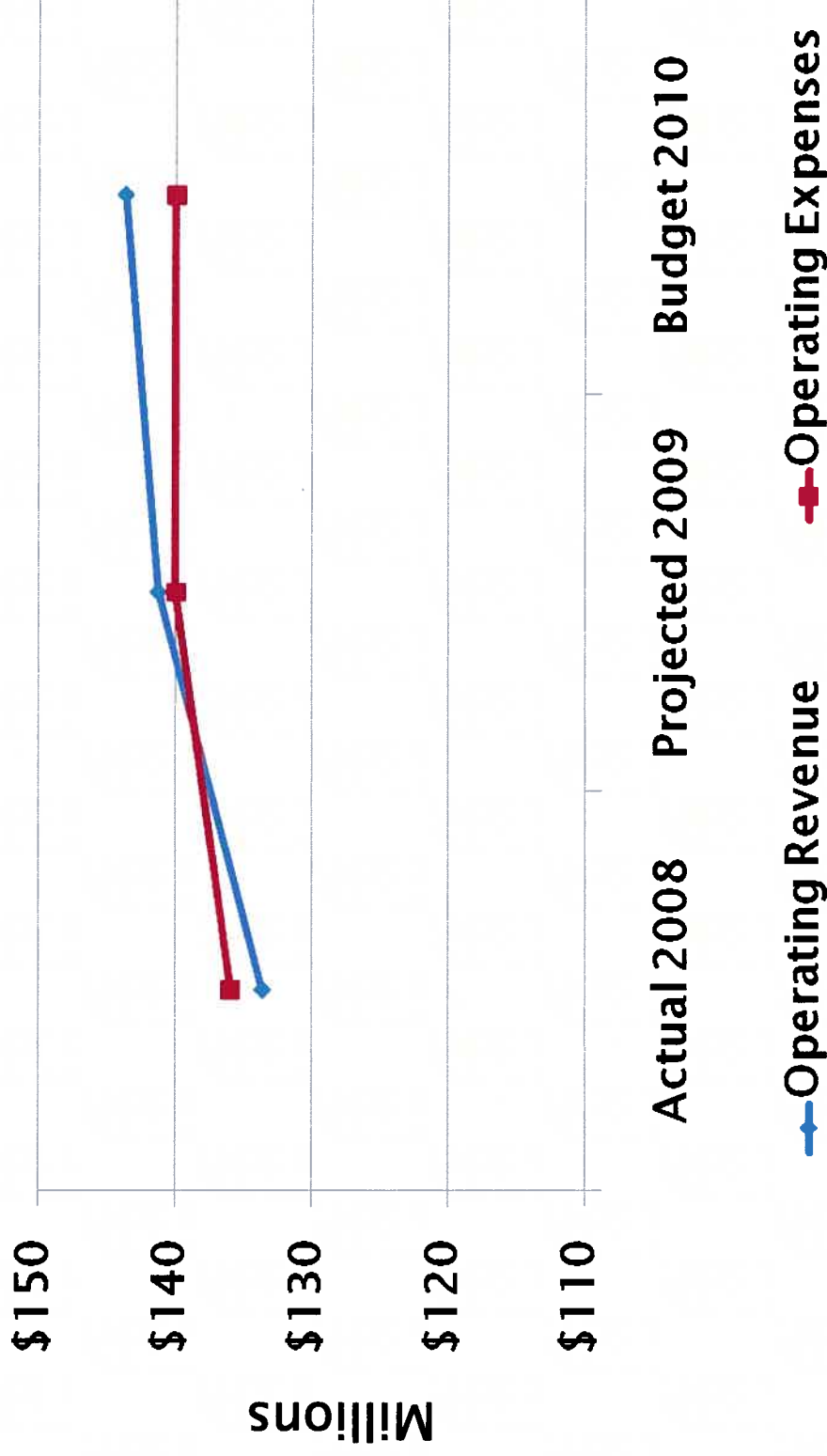
Actual 2008	Projected 2009	Budgeted 2010	Change	% Change
\$7,669,400	\$8,254,200	\$8,728,200	\$474,000	5.7%

- The cost of Self Pay patients for Budget 2010 is \$8,728,200. The increase from projected 2010 is \$474,000 or 5.7%.
- Management will implement strategies to increase self pay collections and lower this loss.



# Revenue and Expense Comparison 2008 - 2010 Budget

*Amounts in Millions*





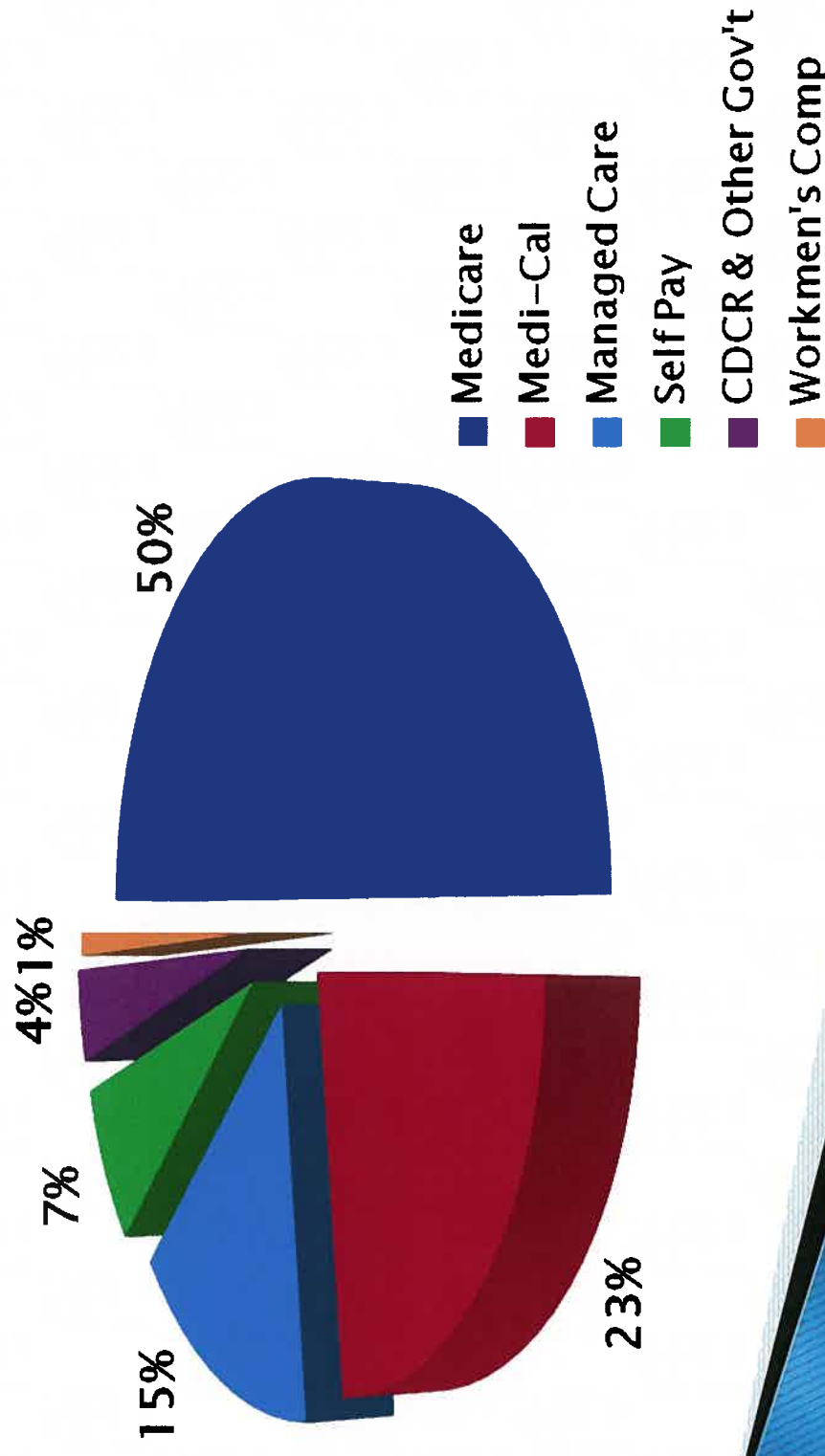
# 2010 Budget

## Volume Assumptions

Estimated Budget				
Volume Assumptions	2008	2009	2010	% Change
Discharges	6,347	6,313	6,444	2.1%
Average Daily Census	84.8	83.7	84.8	1.0%
Average Length of Stay	4.89	4.84	4.81	(0.6%)
ED Visits	39,675	39,066	42,000	2.5%
Total Other Outpatient Visits	36,302	38,561	39,456	2.3%

# 2010 Budget Payor Mix

*Based upon Gross Charges*



# 2010 Budget

## Net Revenue Assumptions and Changes

HMO and Commercial Reimbursement	\$2,900,000
Medicare 2% Rate	\$1,500,000
Outpatient Center – 1 <sup>st</sup> 6 Months Wrap Up	\$655,000
CDCR	\$330,000
Increase in Self Pay	(\$2,370,000)



# 2010 Budget

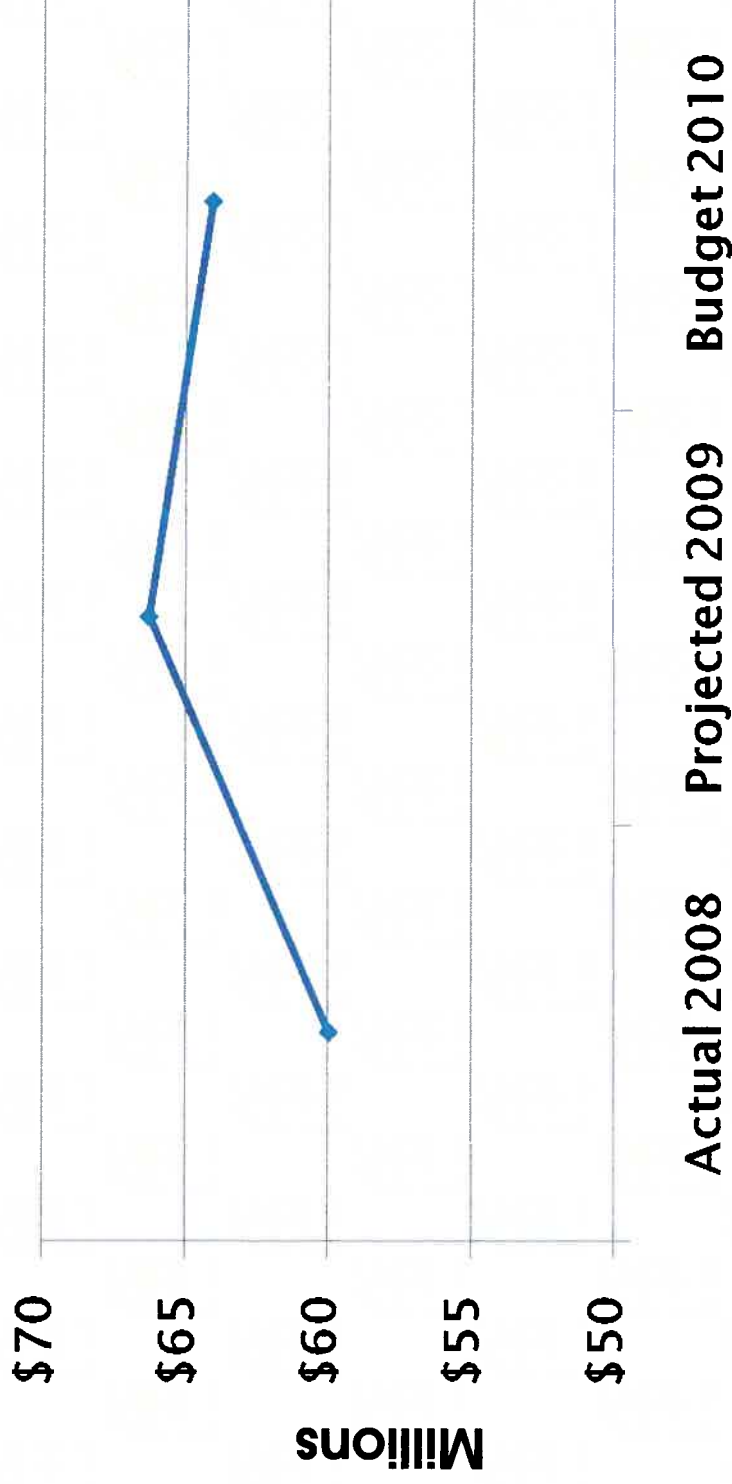
## Other Operating Revenue

Medical Office Building	\$573,000
Other Revenue	\$217,000
Cafeteria Revenue	\$210,000
Refunds and Rebates	\$86,000



# 2010 Budget Salaries and Wages

*Amounts in Millions*



# Number of Employees and FTE's Adjusted FTE per Occupied Bed

Full Time Equivalents			Per Adjusted Occupied Bed	
Fiscal Year	(FTE's)	Percent Change	(AOB)	Percent Change
2008	644	--	5.14	--
2009	682*	5.9%	5.37	4.5%
2010	692	1.4%	5.41	0.1%

\* This includes the conversion of 15-20 interim professional staff to employees

# 2010 Budget

## Changes in Salaries

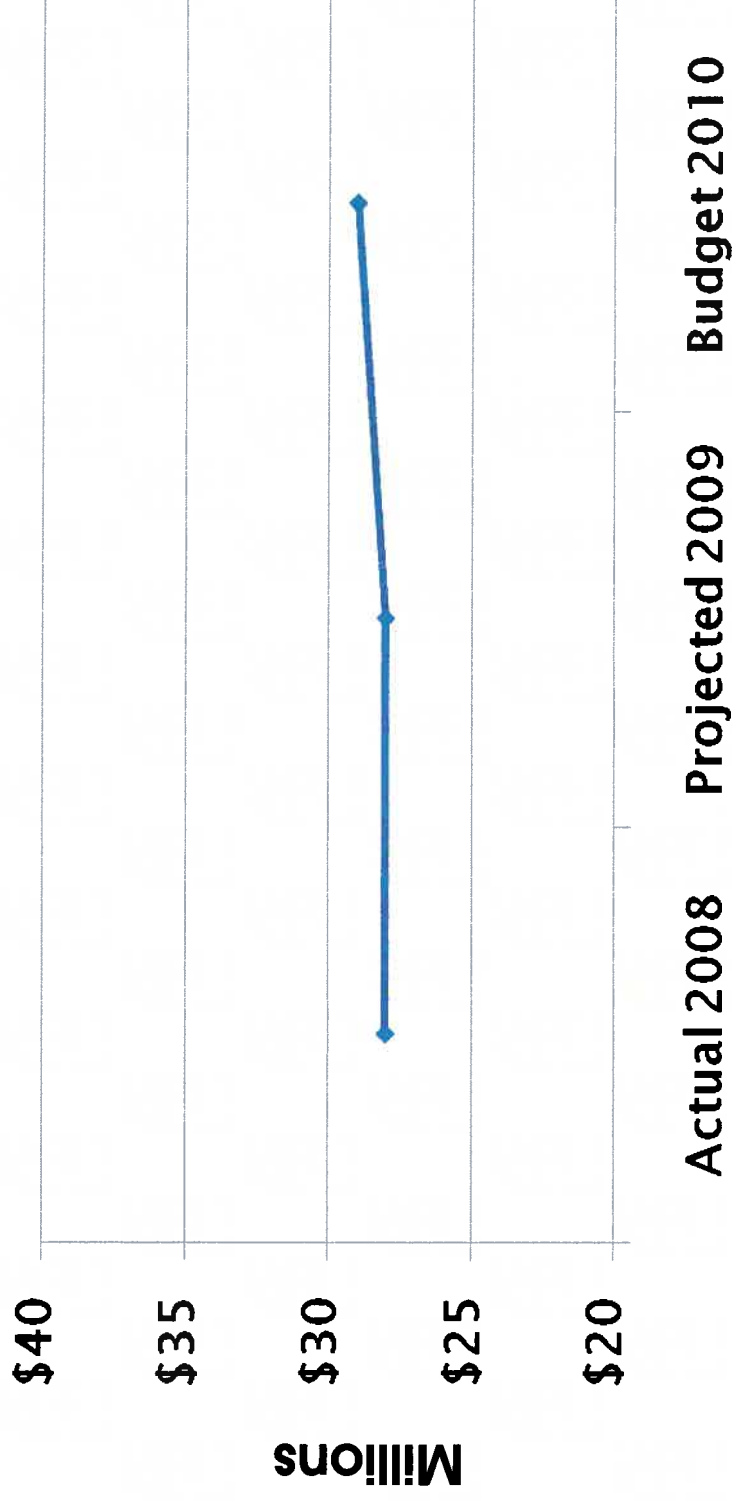
Overtime	(\$2,000,000)
Productivity Management	(\$1,857,000)
Increasing RX Hours	\$322,000
Outpatient Center	\$253,000
Quality	\$227,000





# Employee Benefits

*Amounts in Millions*





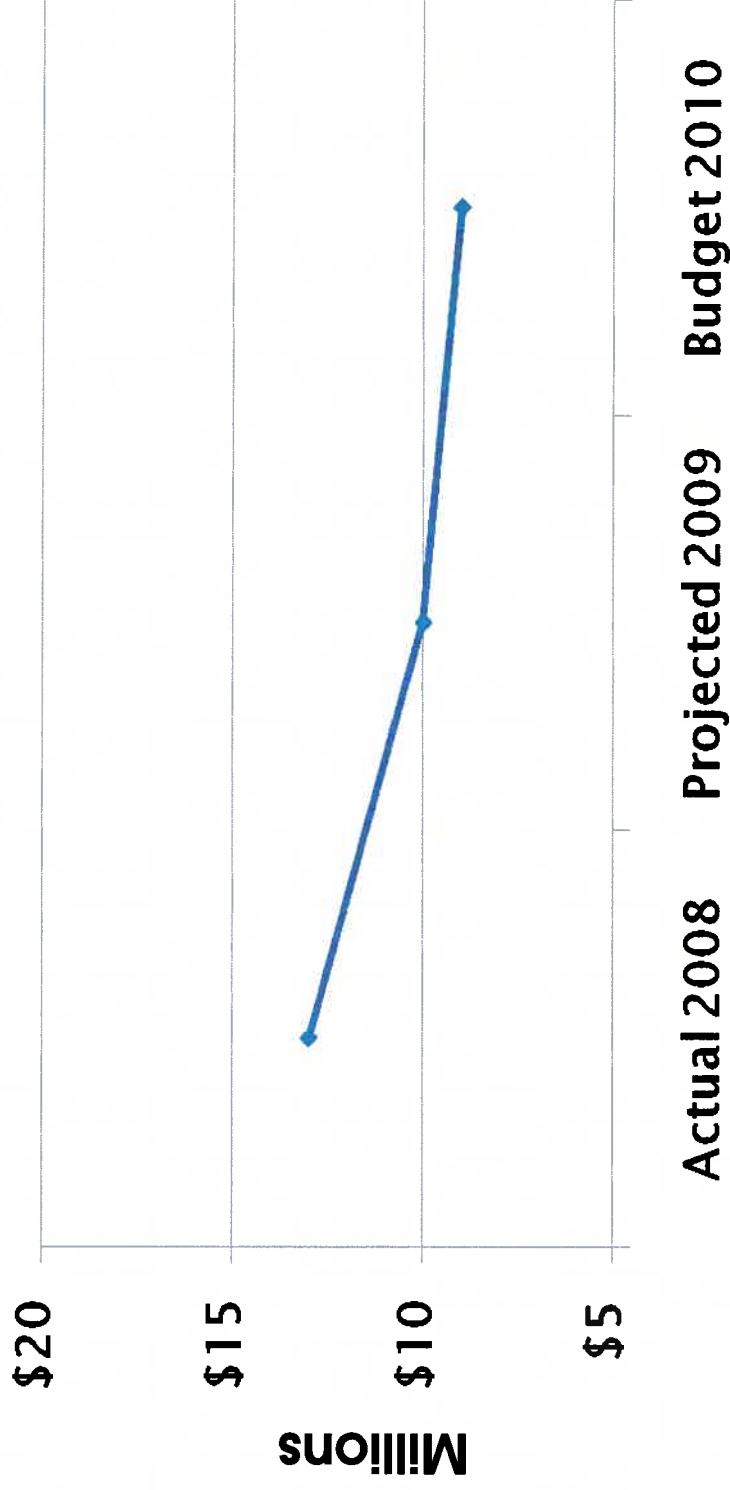
# 2010 Budget Changes in Benefits

- Cost Additional Staff \$480,000
- Reduced Workers Compensation (\$300,000)



# Professional Fees

*Amounts in Millions*



# 2010 Budget Professional Fees

Physician Related	\$6,400,000
Other	\$3,000,000
Total	<hr/> \$9,400,000



# 2010 Budget

## Professional Fees Physician Related

Hospitalist	\$1,500,000
Anesthesia	\$750,000
Stockton Pathology	\$542,000
California Emergency Physicians	\$420,000
Affiliates in Imaging (Radiology)	\$264,000
Cancer Center	\$821,000
Baromedical Assoc (HBO)	\$403,000
Sleep Lab	\$230,000
Alliance Imaging, After Hours	\$207,000
EEG Coverage	\$106,000
Emergency Room Coverage	\$1,115,500
Physician Directorships	\$82,000

# 2010 Budget

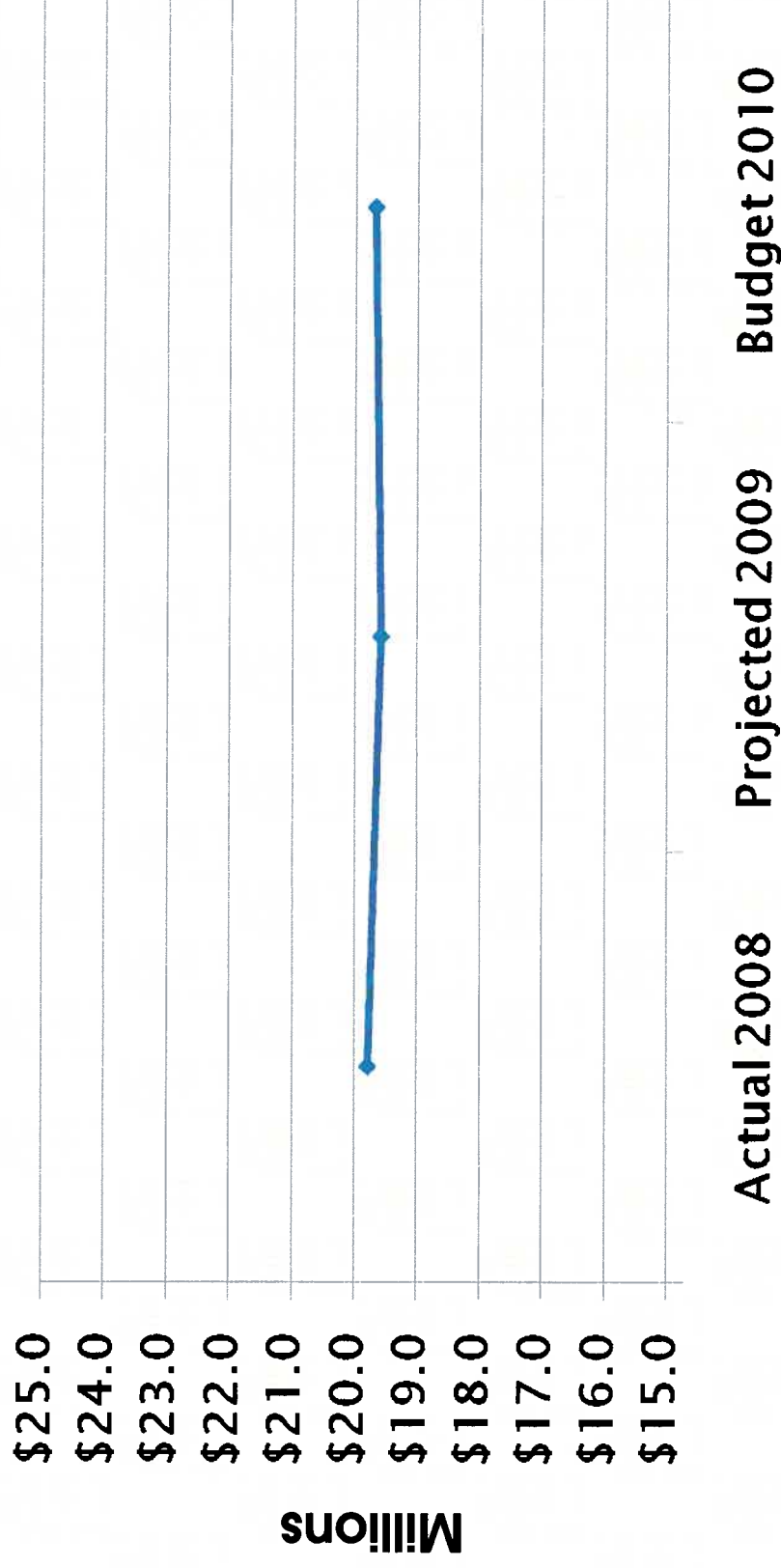
## Professional Fees – Other

Administration	\$700,000
Sodexo Fees	\$650,000
Legal Fees	\$600,000
IT	\$150,000
Audit Fees	\$80,000



# Supplies

*Amounts in Millions*



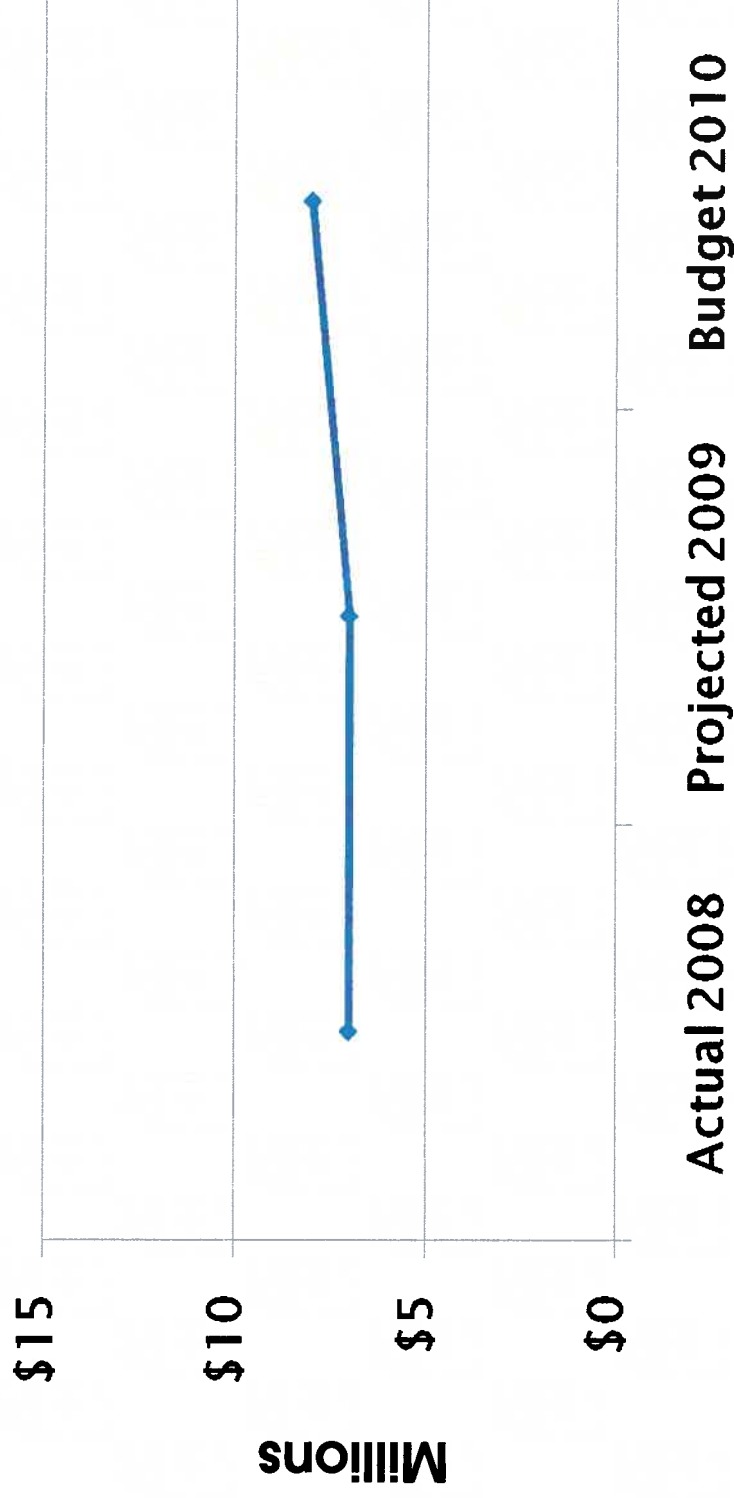
# 2010 Budget Supply Costs Changes

Inflation Supply Costs – (0% – 5.0%)	\$642,000
Durable Medical Equipment	(\$117,000)
Maintenance Supplies	(\$180,000)
Pharmacy Drug Cost Reduction	(\$400,000)



# Purchased Services

*Amounts in Millions*





# 2010 Budget

## Purchased Services – Major Items

Inpatient Renal Dialysis	\$1,074,000
McKesson and other IT Maintenance	\$783,000
Laundry Service (Angelica)	\$533,000
PET-CT	\$528,000
Transcription Services	\$525,000
Equipment Repair and Maintenance	\$506,000
Security Services	\$438,000
Lab Test Send Outs – John Muir	\$398,000
Collection Agency Fees	\$350,000
MRI	\$330,000
Radiation Therapy Physicist	\$268,000
Marketing	\$212,000

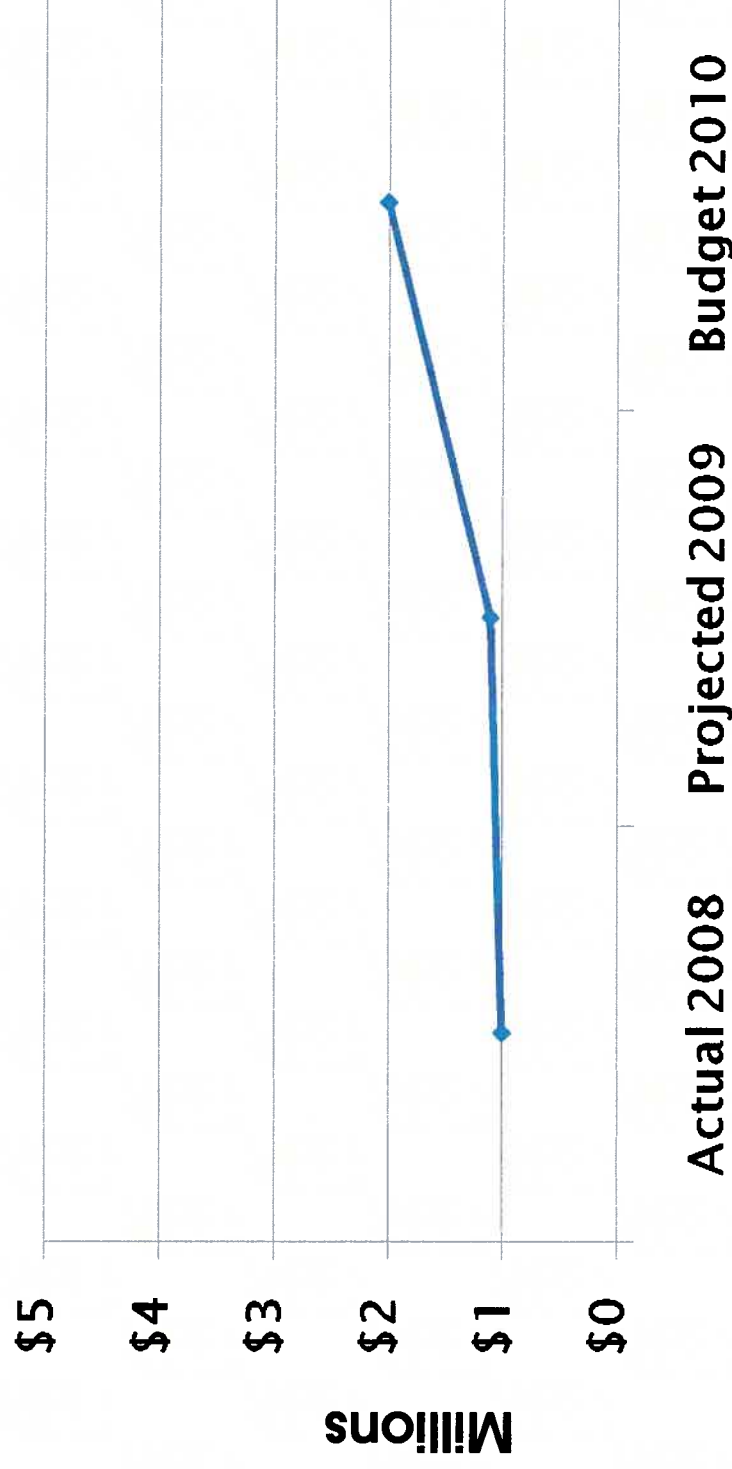
# 2010 Budget Purchased Services Changes

PET	\$528,000
MRI	\$330,000
IT Service Contracts	\$262,000
Price Increases	\$158,000
Advertising	\$100,000
Maintenance Costs	(\$180,000)
Other Reductions (Send Outs)	(\$231,000)



# Rentals & Leases

*Amounts in Millions*



# 2010 Budget

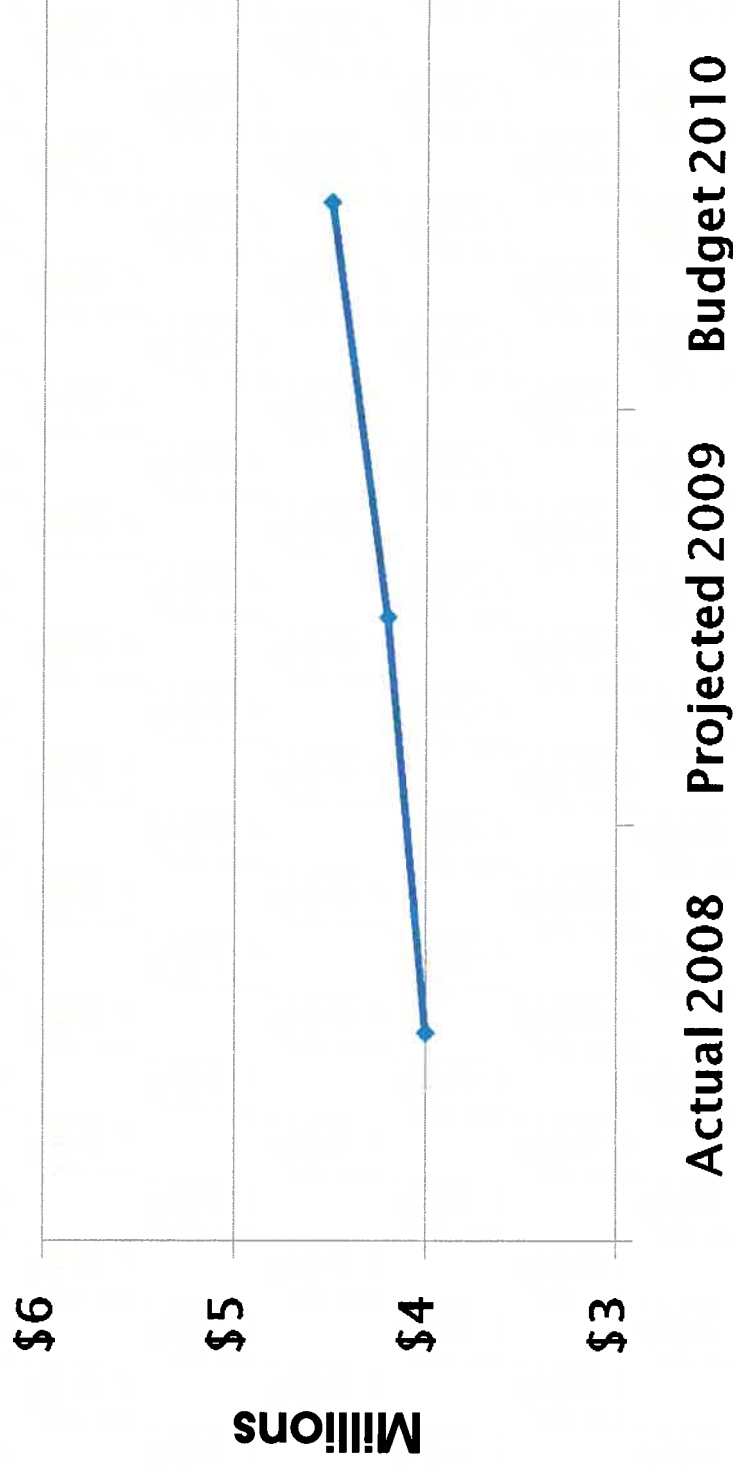
## Leases – Major Items

Pump Rental Program	\$243,000
Towne Center	\$168,000
Lift Equipment for Nursing	\$108,000
Midas Software	\$50,000



# Other Operating Expenses

*Amounts in Millions*



# 2010 Budget

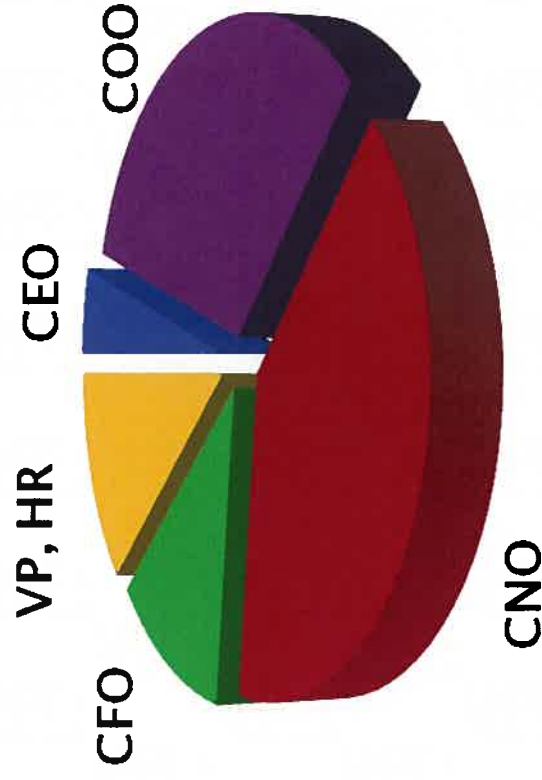
## Other Costs – Major Items

Education	\$155,000
Dues, Subscription & Licenses	\$101,000
Physician Recruiting	\$94,000
Administrative Recruitment Costs	(\$180,000)

# 2010 Budget Responsibility by Executive

*Amounts in Thousands*

Responsible Executive	2010 Budget
Chief Executive Officer	\$6,500
Chief Operating Officer	\$45,100
Chief Nursing Officer	\$55,900
Chief Financial Officer	\$16,059
Vice President, H.R.	\$16,500
	<hr/>
	\$140,008



# 2010 Budget – Cash Flow

In Millions (000,000's)

Beginning Total Cash	\$7.7
Net Income	\$11.5

## *Other Cash Flow Items:*

Add-Back Depreciation (Non-Cash Expense)	3.7
Payment to County	(3.5)
Payments on Long Term Debt	(3.6)
Bankruptcy Payment	(3.3)
Capital Spending – Non Debt Financed	(3.0)

Net Cash Flow	\$1.8
Ending Total Cash Balance	\$9.5
Percent Increase in Cash Balance	23.4%



# 2010 Capital Budget

Project Description/Category	2010 Budget
Outpatient Center	\$1,500,000
Interventional Radiology	\$500,000
Information Systems	\$873,000
Plant Operations	\$1,203,000
Breast Care Center	\$345,000
Radiation Oncology	\$413,000
Surgery	\$357,000
Cardiology	\$207,000
Lab	\$177,000
Respiratory Therapy	\$130,000
Pharmacy	\$117,000
Ultrasound	\$90,000
Radiology	\$49,000
Emergency	\$23,000
Medical Oncology	\$13,000
Physical Therapy	\$3,000
<b>TOTAL CAPITAL REQUESTED</b>	<b>\$6,000,000</b>

# Capital Budget Funding Sources

Operational Cash

\$3,000,000

Financed

\$3,000,000

# 2010 Budget Goals

## Were The Objectives Achieved?

- Achieve a Net Income Exceeding \$11,000,000
  - Budgeted Net Income of \$11,513,000
- Increase ownership and accountability of DMC Department Leadership in the 2010 Budget.
  - Achieved through increased involvement in Budget process and change of reporting methods and follow-up on productivity variances.
  - Reviewed Budget with Department Directors prior to Board Meeting.
- Increase commitment to quality and patient safety.
  - Added 2 FTE's for a total of 6.5. Implement a system (MIDAS) to better monitor and track quality.
  - Increased nursing education
  - Implemented Patient Handling System to improve patient safety

# Results of 2010 Budget

## Were The Objectives Achieved?

- Improve operational support for clinical services.
  - Patient Handling System
  - New Operational Support person in Nursing
  - Increased Pharmacy hours of operation
- Fund a portion of capital purchases from Operational dollars.
  - Fund ½ of Capital Budget from Operational dollars
- Operational dollars to pay long term debt and increase cash balance by 20%.
  - Will pay \$10.4 million in long term debt
  - Increased cash from \$7.7 million to \$9.5 million or 23.4%



# 2010 Budget Questions

